IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

DYNAMIC 3D GEOSOLUTIONS LLC,	)	AU:14-CV-00112-LY
	)	
Plaintiff,	)	
	)	
VS.	)	AUSTIN, TEXAS
	)	
SCHLUMBERGER LIMITED, SCHLUMBERGER HOLDINGS CORPORATION, SCHLUMBERGER TECHNOLOGY CORPORATION, SCHLUMBERGER LIMITED (SCHLUMBERGER N.V.),	)	
	)	
Defendant.	)	NOVEMBER 20, 2014

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TRANSCRIPT OF MOTIONS HEARING

BEFORE THE HONORABLE LEE YEAKEL

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APPEARANCES:

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Proceedings recorded by computerized stenography, transcript produced by computer.

09:02:18 (Open Court)

09:02:18 THE COURT: We're here this morning on the motion to disqualify in *Dynamic 3D Solutions LLC*. Let me get announcements. I'm primarily interested in who is going to participate in the presentation today. So let me have your announcements and who you represent.

09:02:43 MR. WINGARD: Your Honor, Steve Wingard, representing Schlumberger. I'm here with Max Grant, who is going to be the presenter today, Terrence Connolly, Tom Humphrey and David Slater from Latham & Watkins.

09:02:57 THE COURT: All right.

09:02:58 MR. COLLINS: Your Honor, Michael Collins for Plaintiff Dynamic 3D Geosolutions. With me here today are my colleagues from my firm, Matthew Juren, John Edmonds, and Henry Pogorzelski. Also we have the Dynamic 3D client representative here today, Mr. Fischman.

09:03:17 THE COURT: Let me make a couple of observations before we get started. When I first went on this bench a little over 11 years ago and, before that, when I became a justice on the State Third Court of Appeals, I made up my mind, having been on your side of the bench for 28 and a half years, that I was never going to gratuitously pick on lawyers. And I have tried to adhere to that.

09:03:41 But let me make an observation about this motion. Number one, it is -- witness the number of people in this

09:03:47 courtroom. It is the most over-lawyered thing maybe I have
09:03:50 ever seen. Secondly, all parties have inundated me with more
09:04:01 material than was ever needed to decide this issue.
09:04:06 I give talks to lawyers and lawyer groups all the
09:04:11 time, and my colleagues do the same thing and we generally say
09:04:16 the same things. And that is, please give us only what we need
09:04:22 to decide the issue in front of us. I am not going to read
09:04:27 everything you have given me. I will tell you that. When I
09:04:31 get this much material on a motion to disqualify, I'm just not
09:04:35 going to read it because, one, I don't have the time and, two,
09:04:38 over 90 percent of it is unnecessary.
09:04:42 The law on this disqualification is very
09:04:46 straightforward. There are not that many cases that the judge
09:04:49 has to consider. I don't need all the background noise and the
09:04:55 clutter. I don't care what your clients think about the issue.
09:05:00 I deal with the lawyers. And you harm yourselves when you give
09:05:06 me the amount of stuff you have given me that is unnecessary
09:05:12 for resolution of the issue before me.
09:05:15 I don't know when this practice started. It happens
09:05:23 in other things other than motions to disqualify. But in the
09:05:27 last 15 to 20 years, it seems like the legal profession has
09:05:30 decided that quantity is more important than quality. And it's
09:05:37 not. I get motions to extend the number of pages in every
09:05:41 motion. I usually grant them because I believe at the trial
09:05:45 court level, my job is to let you make the record that you want

09:05:51 to make. And if you're clever enough to get me reversed, so be
09:05:54 it. I don't worry about reversals. I try not to go out of my
09:05:59 way to get reversed, but I recognize it as an occupational
09:06:03 hazard.
09:06:04 But I say this and I mean it sincerely: I have
09:06:08 never -- and, I mean it, never -- seen an instance where I have
09:06:12 granted additional pages where the product has been improved.
09:06:17 It is harder to write less than it is to write more. And it
09:06:21 seems like the legal profession today wants to write as much as
09:06:25 they can and never give it to somebody else in their law firm
09:06:30 to edit for them.
09:06:31 The page limitations that we have in our local rules
09:06:35 are adequate. For some reason, nobody ever listens to me on
09:06:39 that. If you would pay more attention to what you're doing
09:06:42 instead of just inundating me with pages and motions and things
09:06:47 over and over again, you would be enhanced.
09:06:51 So having said that this morning -- and I know you
09:06:54 have worked on your presentations and I have given you an hour
09:07:00 to a side, which I think is more time than you need -- what I
09:07:04 am interested in this case in knowing, and it's probably all I
09:07:08 am interested in knowing, is: One, what Ms. Rutherford knew,
09:07:16 when she knew it, and what she might have passed on and, two,
09:07:20 whether a substantial relationship exists between the subject
09:07:24 matter of the former and present representations. And I want
09:07:30 that reduced down to telling me basically what is the harm

09:07:37 1 factor in this case.
09:07:41 2 I'm looking at a patent infringement case. I will
09:07:47 3 admit to you, other than the fact that Ms. Rutherford at one
09:07:53 4 time or another was with two of the parties or their
09:07:57 5 representative law firms, I have a hard time figuring out,
09:08:02 6 other than for the purpose of gamesmanship, how she possibly
09:08:08 7 could affect whether or not, at the end of the day, there's
09:08:13 8 going to be infringement in this case.
09:08:15 9 So that's what I want you to direct me to. You don't
09:08:19 10 have to reinvent the wheel. I don't want to hear about all of
09:08:22 11 the background stuff. Give me just as limited a statement of
09:08:29 12 background facts as you think you need to develop your
09:08:32 13 arguments, and then concentrate on that argument. I think both
09:08:41 14 sides have conceded -- if I'm wrong, tell me -- that there was
09:08:45 15 an attorney-client relationship, and so I think we're down to
09:08:47 16 substantial relationship.
09:08:49 17 I had read Judge Sparks' opinion well before I got in
09:08:53 18 your most recent filings. I will tell you the facts of that
09:08:56 19 case are different than they are here. You can mention that
09:09:03 20 because I find the opinion helpful, but I don't find it
09:09:06 21 dispositive, if for no other reason but the issue of
09:09:11 22 Ms. Rutherford's potential conflict was raised at an extremely
09:09:15 23 early stage in this case. There's not an untimely raising.
09:09:21 24 The opinion in *National Oilwell Varco* mentions how
09:09:25 25 much water had flowed under the bridge before we got around --

09:09:28 or Judge Sparks got around to the disqualification issue. I
09:09:33 consider that, based on existing precedent, to be a large
09:09:38 difference in this case. The motion to disqualify was filed
09:09:42 early and timely in this case, so nobody needs to argue to me
09:09:47 about timeliness because I'm telling you I've already ruled on
09:09:51 it and the motion is timely. So if you can glean out other
09:09:56 things in *National Oilwell Varco*, feel free to do so. But it's
09:10:00 not -- we're not going to deal with when the motion was filed.
09:10:03 It was filed in a timely manner.
09:10:07 So I want you to restrict your arguments to things
09:10:12 that might actually help me determine under existing law
09:10:17 whether or not there is a substantial conflict.
09:10:21 Now, I will say one of the things that Judge Sparks
09:10:24 points out -- and it was an issue that I had also previously
09:10:28 focused on -- is there is a difference between disqualifying
09:10:34 Ms. Rutherford and disqualifying the law firm. You need to
09:10:40 draw that. You need to argue to me whether there is the second
09:10:47 irrebuttable presumption, which is another thing that is
09:10:51 mentioned in the cases.
09:10:52 But those are the issues here. It's not all of the
09:10:55 other things. So know that. And you're going to do better,
09:10:59 both of you, if -- again, I use the cliche all the time -- you
09:11:03 shoot with a rifle instead of a shotgun. And I'll try to give
09:11:07 you a practice tip. Every judge everywhere around the country
09:11:11 that I talk to do not like to be overwhelmed with documents

that don't mean anything. And you-all are better off if you constantly look toward paring this thing down, and you definitely are in my court. And I have a real lack of understanding as to why I never can get that message across.

When I was in private practice, I always tried to do things the way the judge wanted it because I had this -- maybe it's an old-fashioned belief -- that the judge is the one that's going to decide this and you might be helped if you kind of focus your record on what the judge continuously tells you the judge wants. I don't get very far with that argument today. Not just in your case, but in others. So end of lecture, and I will hear from the movant at this point.

MR. GRANT: All right, Your Honor. Let's see if we can cut through the clutter today because I think we can.

THE COURT: Well, go ahead and announce who you are for the court reporter. I know who you are, but we need to get it on the record.

MR. GRANT: My name is Max Grant, and I represent the Defendant Schlumberger and the movant.

The first thing I want to do, Your Honor, is just talk a little bit about two lines of authority that I think Judge Sparks' decision kind of cuts through the middle of and I think it's understandable when you understand the facts.

There are two different lines of authority in the Fifth Circuit. One line of authority comes under this

ProEducation case, and a separate and distinct line of authority comes under the *American Airlines* case.

In the *ProEducation* case, we deal with a situation where the lawyer did not personally represent the former client on a substantially related matter. The partners in the firm did, and there's an imputation because out of that. But the lawyer didn't have a personal stake and a personal representation. That gives rise to a couple of implications under the law.

The disputed qualification dissolves when that lawyer transfers to a new firm, and the new firm is not disqualified. Now, that means that, in that situations, courts -- district courts in this circuit have plenty of discretion, the actual disclosure of confidential information is relevant to the analysis, and walls can be used to address the situation.

And we're on slide 2, Your Honor.

THE COURT: I've got you.

MR. GRANT: The *American Airlines* case is different. The *American Airlines* case involves when the lawyer at issue actually personally represented the former client on a substantially related matter. And under the Fifth Circuit law, where that is the factual scenario, the lawyer is irrebuttably disqualified and there's no discretion on that question. And the new law firm is also irrebuttably disqualified. And under the Fifth Circuit law, there's no discretion on that question

either. And, in this case, the actual disclosure of confidential information is not relevant, and walls serve no purpose.

Now, what Judge Sparks had to deal with was a pretty anomalous situation where the lawyer did not join the second law firm until after the case was filed, which is not the case here, and the lawyer left that law firm before the disqualification motion was filed. So he dealt with a pretty anomalous factual situation that I guess we could argue cuts in between these two lines of authority.

And what he did, in part because of the other factual issues, the prejudice issues, et cetera, is he relied primarily on the *ProEducation* line of cases to fashion what he thought was an equitable remedy. But that's not the situation in the case we have here.

In fact, there's a district court case, *OneBecon*, from 2012. And this case discusses the distinction between these two lines of authority. And what that case says is, While *ProEducation* questioned the continued applicability of irrebuttable presumptions, it did so in the context of considering whether an attorney who did not work on a particular matter at his prior firm is irrebuttably presumed to have obtained confidential information.

That's not the case here. In here it says -- the court analyzed and says, Here the defendants have submitted

09:15:53 evidence that the lawyer at issue did receive confidential
09:15:56 information while working at his prior firm, and there's no
09:15:59 need to rely on the presumption and, therefore, the presumption
09:16:03 that he shared confidences with other members of the firm still
09:16:07 applies, as the Texas Supreme Court, which promulgates the
09:16:12 rule, said. And this is 2012.
09:16:14 So there's no debate that the current Texas and
09:16:16 Fifth Circuit rules say that, if the lawyer's personally
09:16:20 involved, then both irrebuttable presumptions apply. And then
09:16:24 they said, While he worked on the matters, screening him is
09:16:27 insufficient.
09:16:27 So if we then look at the third slide, Your Honor,
09:16:30 we're sort of back to where we started, which is these two
09:16:34 lines of authority. And what I think the Court will see, when
09:16:40 it looks at the facts, is that our case falls squarely within
09:16:43 the *American Airlines* line of authority. The lawyer worked on
09:16:45 the case directly -- And that's exactly what the Court asked me
09:16:48 to talk about and I'm going to talk about in detail. And if
09:16:51 that's the situation, then we're in the *American Airlines* line
09:16:54 of authority and not the this anomalous situation with
09:16:58 Judge Sparks and not this relatively clear situation under
09:17:01 *ProEducation.*
09:17:02 And, in fact, if you look at the *ProEducation*
09:17:06 decision, this is a quote from it and, actually, a quote that
09:17:09 Judge Sparks repeats, in which he says that the departing

09:17:12 lawyer, if they personally represented the former client,
09:17:15 remains under the imputed disqualification. And I'll of course
09:17:20 note for the Court that the authority that the Fifth Circuit
09:17:24 and that Judge Sparks relied on is Mr. Burton's treatise on
09:17:29 this issue.
09:17:29 So we're under this separate situation and --
09:17:34 THE COURT: So here's the deal.
09:17:35 MR. GRANT: Yeah.
09:17:36 THE COURT: All of the Fifth Circuit cases involved
09:17:40 what I would call traditional lawsuits with traditional issues
09:17:44 where lawyers talk to one another and do things. We are here,
09:17:49 as I mentioned earlier, on a patent infringement case.
09:17:52 MR. GRANT: Uh-huh.
09:17:52 THE COURT: The issues that may or may not be
09:17:54 discussed are different. I see a difference when I analyze
09:18:02 disqualification cases in a patent case or disqualification
09:18:06 situations in a patent case than potentially in a general law
09:18:10 case.
09:18:10 Is it your position that we don't care -- the Court
09:18:16 does not consider what the type of case is, the Court doesn't
09:18:20 consider anything, which could have been shared that could have
09:18:23 been harmful to one party or another. It's just the mere fact,
09:18:29 and the Court make no inquiry, that the lawyer was at
09:18:35 Schlumberger and then moved over to the law firm?
09:18:40 MR. GRANT: Yeah. I'll answer that question,

Your Honor, and show you the law on it. If we're in the *American Airlines* situation where the lawyer personally represented --

THE COURT: While you're doing this, though, I want you to address my question about the difference between general law cases and patent cases, because I see a large difference here.

MR. GRANT: Yes, Your Honor. I'm happy to address it.

THE COURT: That is just the cross you have to bear because I get to make the decision.

MS. GRANT: I'll bear it gladly, Your Honor, along with the thorned crown, if necessary. The answer is there's no difference between patent cases and other types of commercial civil litigation cases. And the reason that there's no difference, if we're in the *American Airlines* line of cases, Your Honor, is because there's two issues.

One is confidentiality. And that's the one that, in the *ProEducation* case, requires the Court to inquire as to whether there were confidences disclosed and whether there were walls and things like that. But where the lawyer personally represented the client on a substantially related matter, there's a separate and independent issue that trumps that, and it's the duty of loyalty.

And what the Fifth Circuit in *American Airlines* makes

09:19:47 clear is that duty of loyalty says that your question,
09:19:51 Your Honor, about whether there is confidences shared or actual
09:19:54 prejudice or taint to the case is not relevant because there is
09:19:58 a public policy concern about lawyers who appear to be disloyal
09:20:04 regardless of any actual prejudice.
09:20:06 So let's just walk briefly through that introduction,
09:20:10 because I want to make sure the Court has it in mind and I want
09:20:12 to do everything I can as an officer of the court to make sure
09:20:15 that the Fifth Circuit law in this issue is clear, because
09:20:18 there is a distinction between these two lines of cases and
09:20:21 there's no distinction once we're in the *American Airlines* line
09:20:24 of cases. Your point would be fair for the other line, but
09:20:28 there's no distinction in *American Airlines*.
09:20:29 THE COURT: So tell me ... I make a decision in this
09:20:34 case. I either disqualify Ms. Rutherford or I don't, and the
09:20:46 side who loses has a right to apply for a writ of mandamus. I
09:20:50 believe that, even though we apply Fifth Circuit law, that
09:20:56 mandamus goes to the Federal Circuit.
09:20:59 MR. GRANT: No question.
09:21:00 THE COURT: So I think it is important for both sides
09:21:02 to draw this distinction because the Federal Circuit
09:21:05 historically has not always openly embraced the regional
09:21:11 circuits on the way they apply the regional circuit's law.
09:21:14 MR. GRANT: I'm happy to address that, Your Honor.
09:21:16 And you know what? I think, in this case, the Federal Circuit

will apply the Fifth Circuit law strictly. And the reason is this: The Federal Circuit will understand that, in this situation, the case is worse, not better, than general commercial litigation. We can't possibly have the case where someone can go to the chief IP counsel of a company, hire that person, and then have that person have the level of involvement that Ms. Rutherford had in this case before deciding to sue on the very issues for which she was responsible.

That would be a breach of duty of loyalty, Your Honor, and the public policy concern is nobody -- nobody out there would be able to have any confidence in the actual adjudication of that case. Because whether or not there is an actual transfer of confidences, the loyalty violation would be such that no one would have confidence in the result it would obtain. And that's the reason.

And I would submit, Your Honor, that if and when the Federal Circuit gets this case on mandamus, they will apply this law more strictly, not less strictly, because the Federal Circuit understands the public policy impact if patent assertion companies are permitted to hire chief IP counsel from their targets and then involve those people in the analysis of claims that will be brought against them. So the case in the Federal Circuit, Your Honor, will be stronger than it would if it were in the Fifth Circuit.

Let me just briefly March through the law on *American*

09:22:46 *Airlines* before I get to the factual questions that you had,
09:22:49 Your Honor, because it's important to see just how strong this
09:22:52 law is and how unequivocal it is. And that *ProEducation* line
09:22:57 of cases is not relevant here because that is a case where the
09:23:04 lawyer didn't personally represent the former client.
09:23:07 The Fifth Circuit in the *American Airlines* scenario,
09:23:10 the district court's ruling on a disqualification matter is not
09:23:13 a heart of discretion. That's different from *ProEducation* and
09:23:18 distinct from the situation that Judge Sparks faced.
09:23:20 The substantial relationship test cannot be reduced
09:23:23 to a confidentiality rule. I think that's what the Court is
09:23:26 asking, but the Federal Circuit has answered that question
09:23:29 unequivocally. And here is why, what I was just talking about,
09:23:33 Your Honor. Because the substantial relationship test is
09:23:36 concerned with both the duty of confidentiality and -- it's
09:23:41 right here, Your Honor -- duty of confidentiality and the duty
09:23:45 of loyalty. And so a lawyer who has given advice in a
09:23:49 substantially related matter must be disqualified whether or
09:23:52 not they gained confidences. And that's because of the
09:23:56 personal representation that occurred.
09:23:58 Now, under that standard, Rutherford must be
09:24:04 disqualified. All of Acacia's in-house counsel must be
09:24:10 disqualified. There's nothing that can be rebutted, and
09:24:13 there's no room for discretion under the controlling law.
09:24:16 Plaintiff's outside counsel should be disqualified --

09:24:21 and I'll talk about that -- but that is an issue that's not one
09:24:24 that leaves no room for discretion. But under these facts, I
09:24:27 would submit that there isn't any, and the case should be
09:24:30 dismissed as to Schlumberger. I'm not talking about those
09:24:33 other five defendants about which they've asserted these
09:24:35 claims.
09:24:36 THE COURT: Now, let's suppose you're right. Why
09:24:38 should I dismiss the case even if I disqualify the lawyers?
09:24:42 Why are you entitled to that remedy?
09:24:44 MR. GRANT: Well, the reason I'm entitled to that
09:24:46 remedy is, first of all, that's the way courts have handled it
09:24:49 in the past. But, second of all, Your Honor, there is no
09:24:52 scenario that I can envision as I sit here today -- and I'm not
09:24:55 asking the Court for an advisory opinion -- but there's no
09:24:57 scenario that I can envision as I sit here today that Acacia,
09:25:03 as the current owner or assignee of the patent, could assert
09:25:08 this patent against Schlumberger at all, including if
09:25:11 Ms. Rutherford left the company.
09:25:13 The involvement of her in the initial assertion of
09:25:15 this case so taints this case and so violates the duty of
09:25:21 loyalty that was irrevocably applied here, that there is no way
09:25:25 that Acacia can sue Schlumberger on the '319 patent. And I
09:25:29 think that certainly applies now. I don't know whether that
09:25:32 could be ostensibly cured under some scenario that I can't
09:25:36 imagine in the future, but it can't be done now, including if

09:25:39 new lawyers come in and handle the case, because those new
09:25:42 lawyers will have the knowledge of the record in this case and
09:25:45 the knowledge that Ms. Rutherford based, on the knowledge she
09:25:49 had, concurred in the decision to proceed.
09:25:51 THE COURT: Well, you're asking me to build a
09:25:56 presumption upon a presumption -- that I engage in the
09:25:58 irrebuttable presumption that she had the knowledge and that
09:26:06 she imparted the knowledge. And then a further -- you further
09:26:12 ask me to establish a presumption or an irrebuttable
09:26:18 presumption that new lawyers would automatically have that
09:26:20 knowledge.
09:26:22 MR. GRANT: Well, the answer is I don't know the
09:26:24 answer to that question, Your Honor. There's no -- I'm not
09:26:26 asking for a presumption with regard to Ms. Rutherford. Once I
09:26:30 show there's a substantial relationship, then the duty of
09:26:35 loyalty requires that she be disqualified.
09:26:37 THE COURT: Okay.
09:26:39 MS. GRANT: Okay. The next step under this law is,
09:26:41 all lawyers in her, quote, firm, which both the ABA and Texas
09:26:43 rules say is the in-house legal department, they're all also
09:26:47 irrebuttably disqualified.
09:26:50 Now, the next step is a fair point, Your Honor, and
09:26:52 I'm not asking you to build a presumption on a presumption.
09:26:55 What I'm telling you is there's a very specific legal test that
09:26:57 I'll go through, and it involves whether Ms. Rutherford had

09:27:02 contact or communications with Mr. Collins and his firm. And
09:27:06 I'll show you specifically she did. There's no debate about
09:27:09 it.
09:27:09 The separate independent test is or whether they
09:27:14 conducted in trial preparations or substantive conversations
09:27:18 with any of the Acacia lawyers, and I'll show you the evidence
09:27:21 that there is no debate that they did. Now, once that occurs,
09:27:25 they're disqualified.
09:27:26 Now, could the case subsequently be brought by
09:27:28 another firm? Could they set up some sort of a wall or a
09:27:31 separate entity that completely shielded the existing
09:27:35 irrebuttably disqualified lawyers? You know, that may or may
09:27:38 not be the case, Your Honor. And I'm not asking you to dismiss
09:27:41 the case with prejudice. I'm asking you to dismiss the case
09:27:44 without prejudice. And if some new lawyers figure out a theory
09:27:48 under which they believe they can bring the case, well, you
09:27:51 know, then we'll have an opportunity to address that on the
09:27:53 actual facts that exist.
09:27:55 But I am asking you and telling you and suggesting to
09:27:57 you that, under the law, the way the courts have dealt with
09:28:00 this is they've dismissed the case without prejudice and that's
09:28:03 the right result here.
09:28:04 Okay. Let's talk about the substantial relationship
09:28:08 test. I think -- well, the Court's obliged to act. The
09:28:13 Court's doing that, obviously. The motion to disqualify, as

09:28:16 the Court's recognized, is the proper method. And it's got to
09:28:18 be addressed now. We don't need to reiterate this law. So
09:28:23 let's talk about the Rutherford issue itself.
09:28:25 As you correctly recognize, Your Honor -- I'm on
09:28:28 slide 9 -- there's two issues: One, whether there was an
09:28:30 attorney-client relationship -- and you're correct. That was
09:28:33 conceded -- and, second, whether there's a substantial
09:28:36 relationship. And that's where I'm going to spend the majority
09:28:39 of my time. Just so the record is clear for the Court, this is
09:28:42 Plaintiff's response to our motion in which they concede that
09:28:46 there is an attorney-client relationship.
09:28:49 So we can go back, we can check that box. And the
09:28:51 only factual issue before the Court is whether the nature of
09:28:56 the representations are substantially related. And I would
09:28:59 submit, Your Honor, and we'll go through those facts, they're
09:29:03 more than substantially related. They're the same.
09:29:06 Next.
09:29:06 Okay, now, this is the legal standard of what
09:29:10 "substantial relationship" means. It doesn't mean relevant in
09:29:14 an evidentiary matter. It just simply means, "It need only be
09:29:18 akin to the present action in a way that reasonable persons
09:29:21 would understand as important to the issues involved."
09:29:25 So this standard of substantial relationship, this
09:29:28 threshold, isn't a high one, Your Honor. And the reason it's
09:29:31 not a high one is because this has to do with protecting the

09:29:35 public's confidence in a lawyer's duty to his client.

09:29:42 Next.

09:29:42 Now, this is the law in this scenario where the lawyer personally represented the client. In this scenario, the Court will assume that during the course of the former representation, confidences were disclosed bearing on the subject matter. It will not inquire into their nature and extent.

09:30:01 That's what the Fifth Circuit says, Your Honor. Now, we're going to show you the nature and extent of those confidences. But under the Fifth Circuit law, that's not what we're supposed to do. All we have to show is a substantial relationship.

09:30:13 So what this Fifth Circuit court case says, Your Honor, is that the Court will not inquire into the nature and extent of the former representation confidences that were disclosed, but we'll do it anyway.

09:30:24 Only in the manner -- and here's why. Only in this manner can the lawyer's absolute duty of fidelity be enforced. So this doesn't have to do with the duty of confidentiality, Your Honor. It has do with a lawyer's ethical duty of loyalty to their clients, which clients are supposed to be able to rely on without having actual concern about whether confidences are disclosed or not.

09:30:50 Next.

09:30:51 Okay. Once that is established, the Court will
09:30:56 irrebuttably presume that the relevant information was
09:30:59 disclosed.
09:31:01 Next.
09:31:03 The genuine threat of the adverse use of confidences
09:31:07 is established by showing the prior representation is
09:31:10 substantially related. That's it. The Fifth Circuit goes on
09:31:13 to say the way you establish a genuine threat is just by
09:31:18 showing the substantial relationship. It's not the other way
09:31:21 around. So we don't need to show a threat of the actual use of
09:31:24 confidences under the controlling law.
09:31:26 And then there's a conclusive and irrebuttable
09:31:32 presumption that this situation will lead to the disclosure and
09:31:35 misuse of confidential information. It's irrebuttably presumed
09:31:40 that that will be the case if there's a substantial
09:31:42 relationship.
09:31:44 The parties seeking to disqualify -- Your Honor, this
09:31:47 is right out of the Fifth Circuit case -- need not prove that
09:31:49 the past and present matters are so similar that the lawyer's
09:31:54 continued involvement threatens to taint the trial. We don't
09:31:57 have to show that. Rather, all we've got to show is that
09:32:02 they're substantially related and --
09:32:05 Next one.
09:32:06 -- the presumption is intended to prevent us from
09:32:10 having to prove -- provide proof that would be improper to

09:32:14 make, the kind of stuff that is implicated when they say, well,
09:32:18 you've produced a privilege log that shows all the things that
09:32:21 she works on, but you actually should produce the documents
09:32:25 themselves. That's exactly what they requested in this case.
09:32:27 The reason the law is like this is to prevent that request from
09:32:32 being a proper discovery request.
09:32:33 And that avoids compelling us to prove the very
09:32:37 things that we seek to keep confidential because, if a lawyer
09:32:41 could attempt to prove that they don't recall the disclosure of
09:32:45 confidential information, which is exactly what they're
09:32:48 claiming here or that no confidential information was in fact
09:32:51 disclosed, that would defeat the purpose of keeping our secrets
09:32:55 confidential.
09:32:56 This law addresses specifically the arguments that
09:33:01 the plaintiff is relying on in opposition, and it would put us
09:33:06 into the anomalous position of having to show what confidences
09:33:12 Ms. Rutherford was entrusted with in order to prevent those
09:33:16 confidences from being revealed. That's why the law so clear
09:33:19 and strong on this.
09:33:19 The substantial relationship test cannot be reduced
09:33:23 to a confidentiality rule. If you've given advice in a
09:33:26 substantially related matter, you've got to be disqualified
09:33:29 whether you've gain confidences or not. That's the black
09:33:32 letter law if you have a lawyer who personally represented on
09:33:36 the substantially related matter.

09:33:38 And, in fact, the case goes on to say, Your Honor,
09:33:41 the reason we know this is true is because here's a case where
09:33:45 a person was disqualified even though, factually, there was no
09:33:48 chance that the confidential information could be used. This
09:33:51 is the controlling Fifth Circuit law for the scenario we're
09:33:55 facing.
09:33:55 All right. There is no exception -- by the way,
09:33:59 Your Honor, there's no exception if the prior representation
09:34:05 which the attorney's advice was based on was based on public
09:34:08 information. So the fact that the information subsequently or
09:34:11 was public at the time is irrelevant. Again, it's because the
09:34:14 test has nothing to do with confidentiality and everything to
09:34:17 do with loyalty.
09:34:19 So some of what we're going to talk about,
09:34:21 Your Honor, when I get to the facts is the Petrel 2005 version.
09:34:27 Ms. Rutherford managed copyright litigation on this very
09:34:30 version of the accused product. Ms. Rutherford led an IP --
09:34:35 internal IP analysis that I'll talk more about on this very
09:34:39 version of software. This very version of software is prior
09:34:47 art to the '319 patent, and this very version of software was
09:34:51 used in the tech tutorial last week to demonstrate the patented
09:34:54 feature to the Court.
09:34:55 So the fact that this software version is public is
09:35:01 of no moment. And, you know, this is part of an argument that
09:35:04 opposing counsel made to Magistrate Judge Lane when we were

09:35:07 dealing with the motions to quash. And what he said was well,
09:35:10 prior art is a matter of public record. And unless there's
09:35:13 some kind of secret, there's nothing that's relevant here.
09:35:17 That flies directly in the face of the Fifth Circuit's law on
09:35:21 this issue.
09:35:27 Again, the duty of loyalty means the substantial
09:35:31 relationship is -- I'm on slide 21, Your Honor.
09:35:34 The duty of loyalty means that the substantial
09:35:37 relationship test is not solely concerned with the adverse use
09:35:40 of confidential information. And the Fifth Circuit goes on to
09:35:43 say, we adhere to our precedence in refusing -- refusing to
09:35:48 reduce the concerns underlying the substantial relationship
09:35:53 test to that of preserving confidential information, because
09:35:56 the second fundamental concern that's protected by the test is
09:36:00 not the public interest in a lawyer -- is not the public
09:36:04 interest in lawyers avoiding even the appearance of
09:36:08 impropriety, but a client's interest in the loyalty of their
09:36:12 attorney. It's a totally separate basis when the attorney's
09:36:16 personally involved.
09:36:17 All right. Now, one of the things you asked at the
09:36:21 tutorial, Your Honor, was you inquired specifically about
09:36:28 whether there's taint and what are the specific evidence that
09:36:33 prejudices Schlumberger. Here's what the Fifth Circuit says,
09:36:36 Your Honor. A post hoc inquiry into whether a particular
09:36:40 attorney's involvement in a particular suit might taint the

09:36:42 case -- this is 22 -- in no way provides the breadth and
09:36:47 predictability of confidence that's central to the attorney.
09:36:50 So a post hoc inquiry as to whether Ms. Rutherford's
09:36:55 involvement in this lawsuit may taint the case in no way
09:36:59 provides the breadth and predictability of confidence that this
09:37:03 court and the public needs that's central to the role of an
09:37:07 attorney. This directly addresses what we're talking about at
09:37:11 the hearing, Your Honor.
09:37:12 And, in fact, in the case it goes on to say that the
09:37:16 party opposing disqualification says, the rule barring
09:37:21 representation in substantially related matters is not violated
09:37:25 unless the cases are so similar that there is a genuine threat
09:37:28 of taint. The Fifth Circuit said we reject this argument.
09:37:38 Okay. Let's talk about the specifics and the facts
09:37:40 of the matter that the Court wanted to inquire into. There are
09:37:43 four independent substantial relationships: One, the patent
09:37:50 and IP protection for the Petrel features and functionality in
09:37:54 the accused product; second, the damages and economic value of
09:37:59 Petrel that 3D would be seeking in the context of this lawsuit;
09:38:05 three, pre-suit knowledge of the '319 patent prior to
09:38:08 Ms. Rutherford's departure from Schlumberger in May 2013; and,
09:38:13 four, prior art versions of Petrel that I briefly touched on.
09:38:17 The countervailing, identical, and certainly
09:38:25 substantially related relationship has to do with
09:38:28 Ms. Rutherford's representation of Acacia and 3D and their

09:38:31 decision to acquire the '319 patent and sue Schlumberger for
09:38:35 infringement based on Petrel. There is direct overlap in four
09:38:40 separate areas.
09:38:41 Let's talk about the first one, patent and IP
09:38:44 protection for the Petrel features and functionality. Here are
09:38:54 some entries from our privilege log. And what this shows,
09:38:57 Your Honor, is Ms. Rutherford involved in, having access to,
09:39:01 and participating in an IP analysis of Petrel. What did that
09:39:05 IP analysis entail? I'm on slide 25, Your Honor.
09:39:08 THE COURT: I understand. I'm following.
09:39:10 MR. GRANT: Okay. I just want to do what I can to
09:39:12 help.
09:39:13 THE COURT: Well, see. I've got all of these
09:39:15 screens, including one at the bench, and I have your book of
09:39:19 slides.
09:39:20 MR. GRANT: Yes, sir.
09:39:20 THE COURT: It's not hard for me to follow.
09:39:22 MR. GRANT: I'm just trying to help. I apologize,
09:39:24 Your Honor.
09:39:24 THE COURT: I'm old, but I can still keep up.
09:39:26 MR. GRANT: I'm starting to feel that way myself.
09:39:29 Analyzing the IP -- the patent portfolio, meaning the
09:39:34 patent portfolio responsible for covering Petrel; competitive
09:39:38 landscape, meaning what other competing products are out there;
09:39:40 the IP and business strategies of Petrel and Petrel's

09:39:44 competitor products, including Austin GeoModeling's RECON
09:39:49 software product which was the basis for the patent technology
09:39:54 that's claimed in the '319 patent. That's what Ms. Rutherford
09:39:57 was directly in charge of and working on while she was at
09:40:02 Schlumberger.
09:40:03 Next one.
09:40:03 Here's another entry, and these are just exemplary.
09:40:07 Ms. Rutherford attaching a chart reflecting the intellectual
09:40:10 property rights occupied by Petrel and Petrel's competitors.
09:40:15 In other words, where do we have patent protection, and where
09:40:18 does Austin GeoModeling or other competitors have patent
09:40:21 protection?
09:40:21 The next one.
09:40:23 A phase 2 analysis of the Petrel product in which
09:40:28 Ms. Rutherford attended four meetings that she led and was
09:40:32 responsible for because she led this project. What are the
09:40:35 things that were discussed at those four meetings? A strategy
09:40:39 session to define the map and prepare the filing of patent
09:40:42 applications for Petrel; finalization of the Petrel Goldstar
09:40:47 documents which have to do with analyzing the economic value of
09:40:50 that product; a review and revision of the Petrel patent
09:40:54 application, including specifically what features should be
09:40:58 covered and shouldn't be covered.
09:41:00 When she was deposed, we asked her about these
09:41:04 responsibilities. And she said her responsibilities included

09:41:08 determining whether we needed, meaning Schlumberger, to file
09:41:15 more patents, less patents, whether we should license patents,
09:41:16 or whether we should strengthen our patent position. She did
09:41:21 this work on the accused Petrel product and its predecessors.
09:41:25 When I say "the accused Petrel product," Your Honor, I mean the
09:41:28 ones that came before 2013, but which I will show you have the
09:41:32 same features and functionality.
09:41:34 Now, the Court may recall at the tutorial last week
09:41:38 there was one question that you asked. You asked
09:41:40 Mr. Beardsell: Does Schlumberger have its own patents on
09:41:45 Petrel? That was a good question, a related question to the
09:41:48 issues in this case. And the test, Your Honor, is only whether
09:41:54 something is related, whether it's akin in the way reasonable
09:41:57 persons would understand it as important. I consider the Court
09:42:00 to be a reasonable person, and the Court considered this
09:42:03 question to be important to the issues involved in this case.
09:42:08 Well, the person who would have answered your
09:42:10 question and executed on that decision was
09:42:15 Charlotte Rutherford. That 2005 version of Petrel that the
09:42:19 Court asked about, whether we have patent protection on,
09:42:23 Ms. Rutherford was responsible for determining what features
09:42:26 should be patented, what features should be protected by trade
09:42:29 secrets, which features should be covered by copyright. That
09:42:33 was her decision.
09:42:35 There's no question, Your Honor, that Ms. Rutherford

09:42:39 was responsible for, participated on, and represented
09:42:44 Schlumberger on what patent and IP protection on Petrel
09:42:48 features, including features that are at issue in this case,
09:42:52 what should be covered. That's established by the facts.
09:42:58 The next question and the next separate and
09:43:00 independent basis of relationship has to do with the economic
09:43:04 value of Petrel, which obviously is the whole reason we're
09:43:07 here, because these guys are in the business of licensing
09:43:09 patents. So they're not here to get an injunction, Your Honor.
09:43:13 They're here to assess the economic value of Petrel and get a
09:43:17 license.
09:43:18 This is the declaration of the lawyer, the outside
09:43:21 counsel, that worked with Ms. Rutherford on that copyright
09:43:25 litigation on that 2005 version of Petrel. He says, I spoke
09:43:29 with her. It had to do with misuse of the proprietary Petrel
09:43:35 software by somebody else. He then goes on to say part of what
09:43:39 she worked on was the nature of the damages Schlumberger would
09:43:44 suffer by the infringing activities.
09:43:46 Now, true. That was copyright infringement and this
09:43:50 is patent infringement. But we're talking about the economic
09:43:53 value of the Petrel software. That's the same issue in both
09:43:57 cases. Ms. Rutherford and others approved those claims.
09:44:01 Then Mr. Holloway goes on to say -- and his
09:44:06 declaration is un-rebutted. Opposing counsel didn't want to
09:44:09 take his deposition -- Ms. Rutherford was active in the lead

09:44:12 part of the Schlumberger team in explaining the value of the
09:44:16 Petrel software, including licenses rates and streams. That's
09:44:20 exactly what the damages portion of this case will be about.
09:44:24 Next.
09:44:25 And there is more information in the privilege log --
09:44:30 and we'll provide these to the Court in camera if the Court
09:44:34 wants to see them -- this is an 11-page memo, Your Honor, that
09:44:37 Ms. Rutherford was responsible for that discusses the remedies
09:44:40 of the ongoing Petrel-related copyright litigation. It's an
09:44:45 11-page damages assessment of the product that is largely at
09:44:54 issue here.
09:44:55 And Mr. Holloway confirmed during his conduct of the
09:44:59 Petrel infringement litigation on the 2005 product that was
09:45:04 demo-ed last week that he took his instructions from
09:45:06 Ms. Rutherford. And on virtually every important matter,
09:45:10 Ms. Rutherford was directly and personally involved. She
09:45:13 represented Schlumberger on this subject matter. She was
09:45:16 copied on all the communications, and she was very involved in
09:45:21 assessing the strength of Schlumberger's case and in
09:45:24 formulating settlement goals and discussions. Formulating
09:45:28 settlement goals and discussions means, what is the software
09:45:31 worth? What is infringement of that software worth?
09:45:34 This is the PowerPoint presentation that the
09:45:38 plaintiff prepared. Hold on. Go back one.
09:45:43 I want the Court to note this is the presentation

09:45:47 that was given and that Ms. Rutherford received. This
09:45:50 presentation occurred less than five weeks -- five weeks after
09:45:55 she left Schlumberger in early July of 2013.
09:46:00 Okay. I don't want to show you the whole
09:46:02 presentation, but there's only two companies in that
09:46:05 presentation for which there is financial data and information,
09:46:10 Schlumberger and Halliburton. Those are the only two companies
09:46:14 in the presentation for which there is financial information
09:46:17 and that Acacia got from Austin GeoModeling.
09:46:20 Now, what do we know? Just three weeks later,
09:46:25 Ms. Rutherford is CCed on a financial -- in-house financial
09:46:29 analysis at Acacia regarding the value of the '319 patent.
09:46:36 Based on that presentation, Your Honor, half the value of that
09:46:40 patent, half the revenue, half the information, is Schlumberger
09:46:44 information.
09:46:45 So here's the discussion. Do you have time to
09:46:47 approve the financials? This went to Mr. Fischman,
09:46:51 Ms. Rutherford's colleague. What does he do? He sends it to
09:46:55 CR, Charlotte Rutherford. Are these financials okay with you?
09:47:00 These are the financials that estimate the value of the '319
09:47:03 patent, which is premised 50 percent at this point on
09:47:08 Schlumberger's Petrel product just five weeks after she
09:47:12 resigned responsibility for that product. Charlotte Rutherford
09:47:19 approves it. She approves the draft financial analysis of
09:47:25 Acacia that was premised on the financials that they got about

09:47:28 Schlumberger's Petrel product.

09:47:31 Then what happens? Ms. Rutherford says, Make sure I get the final version of this financial analysis of the patent's value so I can have a copy in case Matt calls. Matt is Acacia's CEO. Ms. Rutherford is involved in approving changes and drafts of those financial analyses, and then she gets the final version so that she can have a discussion about the value of the '319 patent, which is premised at least 50 percent in part on Schlumberger's revenue, with Acacia's CEO.

09:48:05 Now, part of what's interesting about this, Your Honor, is they produced those three e-mails, but they didn't produce the Excel spreadsheet that shows the analysis. Instead, they listed e-mails and the Excel spreadsheet on a privilege log. Now, why is that? Because the Excel spreadsheet will show, I'm highly confident, that the value -- a significant portion of the value attributable to acquiring the '319 patent and suing on it is attributable to Schlumberger's Petrel product.

09:48:39 Now, we didn't have a copy of that, but here it's talking about what it is. It reflects the valuation and the updated AGM financials. Those updated AGM financials Your Honor, there was only two pages. One was Schlumberger, and one was Halliburton. And the revenue reflected in those are split about equally.

09:48:56 And Ms. Rutherford is obviously all over these
09:48:59 e-mails. So are these matters substantially related? Well,
09:49:03 look at the privilege log, Your Honor. It's the valuation of
09:49:05 the patent, the valuation and the cost of revenue. Look at
09:49:09 what Mr. Holloway said Ms. Rutherford was responsible for in
09:49:14 the litigation -- the value of the Petrel software. It's not a
09:49:18 substantially related matter, the value of Petrel software and
09:49:21 the assertion of the '319 patent, it's the same matter.
09:49:31 Now, one interesting question for the Court when the
09:49:33 Court evaluates credibility, because credibility is important
09:49:37 to what's going on here, is when I deposed Ms. Rutherford, I
09:49:40 asked her: Were you involved in any valuation of the value of
09:49:43 the '319 patent at Acacia? She gave an unequivocal "no"
09:49:49 answer. Your Honor, these e-mail chains that show her
09:49:53 approving the draft Excel spreadsheet of the valuation of the
09:49:56 patent and then asking for a final version of it so she can
09:49:59 discuss it with Acacia's CEO established that this testimony is
09:50:04 not credible. In fact, it refutes this testimony, and that's
09:50:08 something that the Court should consider when evaluating this
09:50:11 case.
09:50:11 So with regard to Petrel's damages and economic
09:50:14 value, Your Honor, I would submit it's not a substantially
09:50:18 related matter. It's the same matter.
09:50:21 Let's go to the pre-suit knowledge of the '319
09:50:23 patent. And this is particularly egregious, Your Honor.

09:50:30 Again, we have Ms. Rutherford's unequivocal testimony. I asked
09:50:34 her: What's the approximate date you first saw any version of
09:50:37 the complaint, meaning the Schlumberger complaint, in this
09:50:41 case?
09:50:42 She testified unequivocally -- and this was just
09:50:46 three months after this time frame. She was deposed in May of
09:50:50 2014, and the patent -- or the complaint was filed in February.
09:50:54 So her memory would have been clear on events that occurred so
09:50:58 recently. She testified unequivocally: The first time I read
09:51:01 this complaint against Schlumberger by Dynamic 3D was after it
09:51:06 had been filed.
09:51:07 Hard to imagine somebody getting that wrong when the
09:51:10 whole purpose of the deposition was to ask questions just like
09:51:13 that one. Well, let's see what the facts show, Your Honor, and
09:51:16 maybe we'll understand why those subpoenas were so hard fought.
09:51:21 Her's an e-mail from Mr. Collins to Mr. Fischman, the
09:51:24 3D representative and the Acacia vice president. I want the
09:51:28 Court to note the time, 5:06 p.m. It says: Gary, attached
09:51:33 please find the latest drafts of the complaint for Schlumberger
09:51:37 and Halliburton. These incorporate your comments and other
09:51:41 changes. Let me know if you have any questions. We're ready
09:51:44 to move forward when you give us the green light. That's the
09:51:47 outside counsel speaking to Acacia.
09:51:50 On the next page, Your Honor, eight minutes later,
09:51:54 5:14. Eight minutes later, Mr. Fischman forwards Mr. Collins'

09:52:01 e-mail to Ms. Rutherford saying, Charlotte, here is the current
09:52:06 version of the complaints. Matt -- that's the CEO -- looked at
09:52:09 them when he was here and said he was fine. I'll ask Debra to
09:52:13 send out a notice.
09:52:14 Your Honor, there has been some assertions that
09:52:16 Ms. Rutherford was screened in this case. There's no screen.
09:52:19 There's a funnel. A screen doesn't constitute Mr. Collins not
09:52:24 sending draft complaints directly to Ms. Rutherford but,
09:52:27 instead, sending it to the Acacia vice president that reports
09:52:30 to her and then him, eight minutes later, forwarding them to
09:52:35 her for substantive comment. That's not a screen. That's a
09:52:38 funnel.
09:52:39 So let's see what happened after Ms. Rutherford got
09:52:42 the copy of the draft complaint that she testified under oath
09:52:45 she never received. She says, Thanks, Gary. Good job. Please
09:52:50 extend my thanks to CEPIP. That's Mr. Collins and his law
09:52:57 firm.
09:52:58 Your Honor, she gets a draft of the complaint, she
09:53:02 reviews it, and she communicates, albeit indirectly, to outside
09:53:06 counsel, Good job.
09:53:10 Why is that important? I'm going to show you. Here
09:53:13 is why. That complaint includes willfulness allegations and
09:53:19 indirect infringement allegations. And it says: Defendants
09:53:22 have taken no action to stop or lessen the extent of their own
09:53:26 direct infringements and they've acted in an objectively

09:53:30 reckless manner. That's a paragraph that Ms. Rutherford
09:53:35 personally read and approved and communicated her approval
09:53:41 indirectly back to the outside law firm.
09:53:46 Why does that matter? Well, let's look at time
09:53:49 frame, Your Honor. The '319 patent is filed in 2007. Its
09:53:54 application would have been published, by the way, 18 months
09:53:57 later. But it issued by July 2011. No question about that.
09:54:01 Ms. Rutherford remains the chief IP counsel at Schlumberger for
09:54:09 almost two years. There is a two-year period between issuance
09:54:12 of the patent and her departure to join Acacia. During -- and
09:54:18 then they file the suit, obviously, six or eight months later
09:54:22 asserting willful infringement.
09:54:25 During that two-year period, approximately, what were
09:54:27 her responsibilities? Well, let's look at her own words and
09:54:32 her own job description. And this is slide 51, Your Honor.
09:54:39 She says it was her responsibility to advise the senior company
09:54:44 executives, meaning Schlumberger's CEO and other senior people,
09:54:50 to advise them regarding risk issues relating to IP and to
09:54:53 obtain legal opinions.
09:54:54 The question of willfulness for this '319 patent for
09:54:59 an almost two-year period was Charlotte Rutherford's
09:55:07 responsibility. It was her job and the people working under
09:55:09 her were supposed to determine whether Austin GeoModeling or
09:55:12 any other competitors had patents that posed a risk to the
09:55:16 company. And, if so, it was her responsibility to decide

09:55:19 whether that risk was sufficient for them to obtain a legal
09:55:23 opinion to protect against willful infringement. She reviewed
09:55:28 that paragraph. She signed off on those willful infringement
09:55:32 allegations despite the fact that she was responsible.
09:55:35 Now, Your Honor, we can ask the technical question,
09:55:39 which under the Fifth Circuit law, shouldn't be asked: Did she
09:55:42 actually communicate any confidential information? Well, you
09:55:46 know, Your Honor, in analogous context, you don't need to be
09:55:51 express. The disclosure of confidential information can be
09:55:54 implicit.
09:55:55 And if some CEO or CFO of a company comes to a friend
09:55:58 of his and says, We've got a big earnings announcement coming
09:56:02 out. I can't tell you what's in it, but I would sure approve
09:56:06 it if you bought stock, I would concur in that recommendation.
09:56:10 That's insider trading. And the law doesn't allow you to say,
09:56:14 Well, but he never actually said that the earnings were going
09:56:16 to be through the roof.
09:56:18 This is the same thing, Your Honor. They said, We're
09:56:20 filing willful infringement allegations, and she said, I concur
09:56:23 in that decision. I've reviewed the complaint. Good job.
09:56:27 File it the way it is.
09:56:28 Next one.
09:56:31 And the law, of course, says that a competent opinion
09:56:34 of counsel would provide a basis for an alleged infringer to
09:56:38 proceed without engaging in objectively reckless behavior.

09:56:41 This was her responsibility. She signed off on a complaint
09:56:46 saying she hadn't done her job. Pre-suit knowledge of the '319
09:56:54 patent, Your Honor, it's not substantially related. It's the
09:56:57 same matter. It's not even close.
09:56:59 Next one.
09:57:00 Prior art versions of Petrel. I'll go through this
09:57:02 quickly, Your Honor, because we've touched on it before. The
09:57:04 Petrel 2005 version that the Court saw demonstrated last week
09:57:08 to demonstrate the patented features of the '319 patent is, in
09:57:13 terms of the patented functionality, indistinct from the
09:57:17 current one. Her participation involves the same features and
09:57:23 functionality. And if we look at the software as you saw from
09:57:26 the presentation last week, it's indistinct from the current
09:57:32 version.
09:57:33 So what do we know about the current version -- the
09:57:35 2005 version of Petrel that she was responsible for and which
09:57:38 she managed a variety of activities? Well, the plaintiff says,
09:57:42 well, the overlap ends because the Canadian case involved
09:57:46 allegations of an earlier version of Petrel and that's not at
09:57:49 issue here. Well, that's the version that was demonstrated to
09:57:52 you.
09:57:52 That's not true, Your Honor. In fact, Mr. Beardsell
09:57:54 gave a sworn declaration. That was the gentleman that provided
09:57:59 the demonstration last week, Your Honor. He provided a sworn
09:58:02 declaration that the features and functionality that existed in

09:58:05 the earlier versions are the same as those that are being
09:58:08 accused of infringement. There's no response to this other
09:58:12 than a lawyer argument saying it's no good. That's nonsense.
09:58:20 He's the guy responsible for this product during this entire
09:58:23 time period. He's given an un-rebutted sworn declaration that
09:58:23 the features and functionality are the same.
09:58:26 Next.
09:58:26 No surprise, Your Honor, we've asserted in our
09:58:31 validity contentions that the Petrel 2005 version is prior art.
09:58:34 We're not the only ones that think so. That Halliburton IPR?
09:58:39 That's premised on Petrel 2005.
09:58:39 THE COURT: Mr. Grant, I don't mean to interrupt you,
09:58:41 but you have 15 minutes left. I don't know whether you intend
09:58:45 to reserve part of your time for rebuttal.
09:58:47 MR. GRANT: Thank you for alerting me, Your Honor.
09:58:49 THE COURT: But I wanted to tell you that.
09:58:51 MR. GRANT: I'm only going to use two or three
09:58:52 minutes for rebuttal.
09:58:54 THE COURT: You can take up your time, but I don't
09:58:54 want you to use the hour and then be surprised when I don't
09:58:56 give you any rebuttal time.
09:58:58 MR. GRANT: I understand. Next.
09:59:03 There's no exception, as we talked about, for public
09:59:06 information. The petrel 2005 version was specifically
09:59:09 something she worked on. The fact that it's public is of no

09:59:11 moment to the issues here. The prior art versions of Petrel
09:59:15 aren't a substantially related matter. They're the same matter
09:59:18 that are asserted in this case.
09:59:19 Now, let's talk briefly about Rutherford's
09:59:22 representation with Acacia on this case and the overlap. Now,
09:59:27 it's asserted in their motion to dismiss which was filed just a
09:59:30 couple of months ago that her only recommendation was to
09:59:33 proceed in the litigation against Halliburton, not
09:59:36 Schlumberger. I really don't understand how that could be
09:59:39 included in a brief in light of Ms. Rutherford's sworn
09:59:42 testimony.
09:59:43 So here's her sworn testimony. What communications
09:59:47 did you have? "My concurrence with the recommendation from
09:59:50 outside counsel and in-house counsel to acquire the '319 patent
09:59:55 and to sue Schlumberger ..."
09:59:57 Those are her words under oath. And she didn't say
10:00:01 it once, Your Honor, she said it twice. "My communication was
10:00:04 the concurrence to acquire and file the litigation against
10:00:07 Schlumberger ..."
10:00:08 And that's no surprise. She had evaluated the
10:00:10 financials, she had seen a draft complaint that included the
10:00:14 willfulness allegations, and she concurred in the
10:00:16 recommendation that Mr. Collins' firm gave to Acacia's CEO.
10:00:23 Implicit in that communication is Acacia's CEO knowing, Look.
10:00:26 Everything she knows, she says this is a good lawsuit. That's

10:00:29 just like the CFO saying, You're thinking about buying our
10:00:33 stock? We got an earnings announcement coming out. That would
10:00:36 be a good investment.
10:00:40 All right this concurrence implicates all four
10:00:43 separate areas of substantially related matters. It involves
10:00:48 them knowing what the patent and IP protection was for Petrel
10:00:53 and where it's covered and where it's not; it involves the
10:00:55 economic value and damages that would be associated with the
10:00:57 case for Acacia to determine that it made economic sense to
10:01:00 file it; it involves her knowledge of the pre-suit willfulness
10:01:04 allegations; and it involves her awareness of the prior art
10:01:08 versions of Petrel. The substantial relationship test,
10:01:11 Your Honor, isn't met once, isn't met twice, isn't met three
10:01:15 times. It's met four separate independent times.
10:01:19 All right. In this situation, the Court
10:01:27 respectfully, Your Honor, has no discretion. Ms. Rutherford
10:01:28 must be disqualified. There's nothing else to discuss if you
10:01:32 find that any one of those four matters are substantially
10:01:34 related.
10:01:35 Now, let's briefly talk about Acacia's in-house
10:01:37 counsel. The test here, Your Honor, is that second
10:01:41 irrebuttable presumption, and that presumption obtains
10:01:47 whether -- that the lawyers shared confidences with the client
10:01:50 and members of the second firm. That's a second irrebuttable
10:01:56 presumption, and it applies because Ms. Rutherford personal

represented Schlumberger. It's not the *ProEducation* case where other people. The *ProEducation* cases would apply, Your Honor, if Ms. Rutherford had been a labor lawyer at Schlumberger, not an IP lawyer responsible for Petrel. Those cases don't apply.

And what does a "firm" mean? Well, under both the Texas and the ABA rules, a "firm" means an in-house legal department. And no surprise, Your Honor. When you're a corporation whose entire business is legal, obtaining patents, and filing patent lawsuits, that in-house legal department and that legal function goes pretty broadly. And you don't have to look any further than the assertions of privilege and attorney-client work product and the discussions that Ms. Rutherford, Mr. Fischman, and Mr. Vella had to know that they concede that those are attorney roles.

So what does that mean? We have Dynamic 3D Geosolutions, which has no employees, was an LLC started shortly before this lawsuit, and holds no assets other than the patent. It's wholly owned by Acacia Research Group, which is where Ms. Rutherford and Mr. Fischman work. And that's wholly owned by Acacia Research Corporation, which is where the CEO works. All these people were working together on this lawsuit, and they all obtained and are imputed with that second irrebuttable presumption.

Now, in terms of who are the specific people, well, I know what the head start is, Your Honor. They actually

10:03:25 responded to a discovery request listing all the people. It's
10:03:28 referenced in our brief, and I don't want to go through all the
10:03:31 names. But there are pages and pages of names of the people
10:03:34 who are listed on the documents relevant to this case that have
10:03:37 been produced in the context of this disqualification motion
10:03:40 and that were listed in the privilege logs as being people who
10:03:43 received privileged or work product information. That's a
10:03:46 listing that was provided by them. It's a long listing, but
10:03:49 that's because of the nature of their business.

10:03:52 So now the second question is, that second
10:04:01 irrebuttable presumption is not a matter of discretion because
10:04:02 Ms. Rutherford personally represented Schlumberger.

10:04:05 Next.

10:04:06 Briefly on the outside counsel issue, Austin
10:04:09 GeoModeling and the Collins Edmonds firm were integrally
10:04:14 involved in this whole thing, but that's not the test. The
10:04:16 test is a two-part -- not a two-part test, an either/or test,
10:04:20 Your Honor. We need to show either contact or communication
10:04:23 between the Collins Edmonds firm and Rutherford or substantive
10:04:27 conversations or joint preparation for trial with the Acacia
10:04:31 attorneys.

10:04:32 Okay. This is the law. Once a party seeking
10:04:36 disqualification establishes there was contact or communication
10:04:39 between the attainted attorney and co-counsel, then the burden
10:04:45 shifts. So we have to show that there's a contact or

10:04:46 communication between Rutherford and the Collins firm.

10:04:52 Next.

10:04:52 Her own testimony establishes unequivocally there

10:04:55 was. She concurred in the recommendation. Who did she concur

10:05:00 with? Whose recommendation? Outside counsel. That's

10:05:02 Mr. Collins and his firm.

10:05:03 You received recommendations from the Collins Edmonds

10:05:06 firm to acquire the patent?

10:05:07 Yes.

10:05:08 That's contact or communication with the Collins

10:05:10 Edmonds firm.

10:05:11 Did they make a presentation? Did the Collins

10:05:14 Edmonds firm make a presentation?

10:05:16 Yeah. It was about an hour long, and it referenced

10:05:19 Schlumberger.

10:05:19 That's a contact or communication directly between

10:05:23 Ms. Rutherford Collins Edmonds firm.

10:05:25 Any communications?

10:05:26 My concurrence with the recommendations of outside

10:05:28 counsel.

10:05:29 That's a contact or communication with the Collins

10:05:32 Edmonds firm.

10:05:33 Did you tell anybody outside of Acacia about your

10:05:36 decision to concur in the acquisition of the patent and to sue

10:05:39 Schlumberger?

10:05:40 I would say yes, but only outside counsel.

10:05:42 That's a contact or communication between Rutherford Collins Edmonds firm.

10:05:45 Direct communications. This is Mr. Vella, the CEO, directing Ms. Rutherford: It's a go if you think you can get Collins to take the case.

10:05:53 She's the one in November who is being directly directed by the CEO to see whether she can get Collins to take the case. That's a contact or communication between the two of them.

10:05:56 Ms. Rutherford here sending an e-mail to a variety of people, including Mr. Collins. It says: Once litigation is filed, this is how we're going to handle the media inquiries.

10:05:57 That directly implicates the litigation strategy, et cetera. It's a contact or communication between Rutherford and the Collins Edmonds firm.

10:06:01 Now, what's the -- the next part here? There have been numerous contacts and communications between Rutherford and Collins -- I'm on slide 83, Your Honor -- and the Collins Edmonds firm has failed to meet their burden now that we've shown those contacts and communications to show two things, and they need to show both of them -- that there was no reasonable prospect that our information was disclosed and that it was not in fact disclosed. That's their burden, and they haven't met it.

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10:06:56 What's the second basis on which the Collins Edmonds
10:06:59 firm could be independently disqualified from the case?
10:07:02 Substantive conversations or joint preparation with Acacia
10:07:05 lawyers. Let's take a look at. That this is the second part
10:07:08 of the law, Your Honor. If Mr. Fischman communicates with
10:07:13 Collins, either joint preparation for trial or substantive
10:07:18 conversations. It's right out of the case.
10:07:19 Well, Mr. Fischman made this one easy. He put in a
10:07:25 declaration regarding those subpoenas and motions to quash.
10:07:29 And he says: In close collaboration with Mr. Collins and his
10:07:33 firm, I'm personally involved in the decision to sue and I
10:07:36 remain personally involved in helping formulate litigation
10:07:41 strategy.
10:07:42 We have both separate and independent prongs met
10:07:45 here. Numerous contacts and communications between
10:07:48 Ms. Rutherford and the Collins firm and, separately and
10:07:51 independently, joint preparation for trial and substantive
10:07:54 discussions between Mr. Fischman of Acacia and the Collins
10:07:59 Edmonds firm.
10:08:00 Similarly with Mr. Vella -- same thing, Your Honor --
10:08:03 there are substantive conversations there. This is her
10:08:07 speaking on the phone to Mr. Vella: Was Schlumberger
10:08:12 mentioned?
10:08:12 Yes.
10:08:12 This was a call about the case acquiring the patent

10:08:15 and filing the lawsuit in which Schlumberger was mentioned.
10:08:18 More communications or contacts.
10:08:21 Again, the decision belongs to the CEO and president,
10:08:25 Matt Vella. The presentation was made by outside counsel to
10:08:28 the CEO. Again, these are direct contacts and communications
10:08:32 between Mr. Vella and the Collins Edmonds firm involving the
10:08:37 case.
10:08:38 Now, what's their response to this? Ms. Rutherford
10:08:41 has been screened and will continue to be screened from any
10:08:44 discussions involving Schlumberger.
10:08:46 Next.
10:08:47 That just didn't happen, Your Honor. She concurred
10:08:48 in the decision of outside counsel.
10:08:51 Next.
10:08:51 She concurred twice, according to her testimony. I
10:08:55 mean, she repeated that she concurred. She concurred with the
10:08:58 recommendation of outside counsel. She was working in
10:09:02 conjunction with the outside counsel and received
10:09:04 recommendations from the outside counsel's firm. She received
10:09:08 an hour-long presentation by the outside counsel's firm. She
10:09:12 told outside counsel about her decision to concur in the
10:09:16 acquisition and the filing of the suit. There is no question,
10:09:22 given the number of contacts, that the Collins Edmonds firm has
10:09:26 to be excused.
10:09:27 The case should be dismissed, Your Honor. I cite two

10:09:30 cases here that are exactly the same sort of situation where
10:09:33 the cas is dismissed.
10:09:34 Next. Go back one.
10:09:36 And, Your Honor, in addition to dismissal, the Court
10:09:39 enjoined those people from participating or collaborating in
10:09:43 any further lawsuits. And that's what the Court should do here
10:09:46 as well. It should dismiss the case without prejudice and then
10:09:50 enjoin Ms. Rutherford or Acacia or Collins Edmonds from
10:09:55 participating in any further efforts to bring a suit on the
10:09:57 '319 patent.
10:09:58 All these elements are established, and, in this
10:10:01 issue, the Court has no discretion. Ms. Rutherford, the Acacia
10:10:06 people must be disqualified. And on these facts, the Collins
10:10:11 Edmonds firm should be disqualified. Thank you, Your Honor.
10:10:14 THE COURT: Thank you. We'll take about a
10:10:17 five-minute recess to allow the other side to set up.
10:10:20 (Recess)
10:17:49 THE COURT: Mr. Collins, are you ready to proceed?
10:17:51 MR. COLLINS: Yes, Your Honor. Thank you. I'm
10:17:55 aware -- acutely aware that the Court wants us to focus on the
10:17:58 facts, and I assure that the vast majority of my presentation
10:18:01 is going to do just that.
10:18:04 But I think it helps the Court to take a step back in
10:18:07 the beginning and look at the breadth of the relief that
10:18:13 Schlumberger seeks here. It's extraordinary and unprecedented.

10:18:17 They want to disqualify not only Ms. Rutherford but, by
10:18:22 imputation, every lawyer at Acacia and its subsidiaries. They
10:18:24 want to use a creative double-imputation theory to disqualify
10:18:28 my firm and, likely, every firm that Acacia might hire to
10:18:31 either enforce this patent or any patent against Schlumberger.
10:18:39 Now, what Schlumberger is really trying to contrive
10:18:42 here is a broad injunction that prevents Acacia or any of its
10:18:46 subsidiaries from ever suing Schlumberger on any intellectual
10:18:51 matter or from ever engaging any law firm to do so.
10:18:55 None of this is possible, Your Honor, as this court
10:19:03 has correctly recognized, unless Schlumberger can get past the
10:19:06 threshold test: Is something that Ms. Rutherford worked on
10:19:09 while she was at Schlumberger substantially related to the
10:19:15 specific issues in this patent case?
10:19:21 Now, we were prepared to discuss the allegations in
10:19:25 the state court litigation because they are relevant here. And
10:19:28 I don't want to belabor this because I know the Court has
10:19:31 copies of the state court petition. It can compare the
10:19:34 paragraphs 11, 12, 25, 26, 27, 28, and 29.
10:19:39 But if you put the state court petition side by side
10:19:45 against the motion to disqualify counsel, the Court will see
10:19:51 that the conclusory allegations in there are the same ones that
10:19:56 they allege here, the same allegations that Judge Sandill
10:20:00 dismissed when he dismissed every cause of action they alleged
10:20:04 against Ms. Rutherford in state court except for Schlumberger's

10:20:08 breach of contract claims. And not only did he dismiss their
10:20:12 causes of action. He sanctioned Schlumberger and awarded
10:20:16 attorneys' fees to the tune of $600,000.
10:20:22 Schlumberger was able to depose Ms. Rutherford twice,
10:20:26 once with Judge Sandill in attendance. And that's important
10:20:29 because Schlumberger in the state court case was never able to
10:20:34 identify a single piece of confidential Schlumberger
10:20:38 information that had been taken or was known by Ms. Rutherford.
10:20:44 Undeterred, Schlumberger now comes to this court with the same
10:20:49 discredited allegations and the guise of a motion the
10:20:53 disqualify everybody associated with her.
10:20:56 Now, the test, as the Court is aware, is a simple
10:21:04 one. Does -- is there something about Ms. Rutherford's past
10:21:09 work at Schlumberger that's substantially related to her
10:21:14 alleged work in the patent case? Here Schlumberger has failed
10:21:20 to identify, just as it did in the state court case, any
10:21:25 specific piece of confidential information that Ms. Rutherford
10:21:31 learned while at Schlumberger that is related to the current
10:21:35 patent case. And that should be the end of the inquiry.
10:21:41 Now, Mr. Grant spent quite a bit of time this morning
10:21:47 discussing the law. And I'm prepared to do that, but I don't
10:21:50 want to belabor it because I do want to get on to the facts.
10:21:54 At the outset, I note that Schlumberger only cites to the
10:21:59 Fifth Circuit's articulation of the substantial relationship
10:22:05 test, the *American Airlines* case. And that's the only law they

10:22:08 discuss.

10:22:09 But if you read our briefing, you'll know that it's
10:22:13 Ms. Rutherford's position and Dynamic 3D's position that Texas
10:22:18 law should govern, that Ms. Rutherford was a Texas lawyer
10:22:22 working in Texas on a transactional matter when she was
10:22:29 deciding whether to -- whether she was participating in the
10:22:33 decision as to whether to acquire the '319 patent.

10:22:39 And to the extent she can be said to be practicing
10:22:42 law in her current job at Acacia, it doesn't involve
10:22:46 representing Acacia in any federal court. She's not on the
10:22:49 pleadings in this case. She hasn't been admitted *pro hac vice*.
10:22:54 She's not even admitted to practice in the Western District of
10:22:56 Texas.

10:22:57 But let's look at Fifth Circuit law. Assume that it
10:23:03 does apply. The *American Airlines* case is very clear, and it
10:23:11 has nothing to do with presumptions. What it says is that a
10:23:15 substantial relationship may be found only after Schlumberger
10:23:24 delineates with specifity -- with specifity the subject
10:23:27 matters, issues, and causes of action common to the current and
10:23:29 prior representations. And then the Court has to engage in a
10:23:32 painstaking analysis of the facts and a precise application of
10:23:38 precedent.

10:23:39 THE COURT: Believe me, it's already been painful.
10:23:42 We'll get to the staking part.

10:23:44 MR. COLLINS: I have no doubt, because it was painful

10:23:46 even writing the briefs, Your Honor.

10:23:49 Now, this is what Schlumberger has to prove. This is
10:23:52 their burden of proof. The *American Airlines* case has nothing
10:23:56 to do with imputation of Ms. Rutherford's conflict, if she has
10:24:00 one, to other lawyers at Acacia or anyone in my firm. That's
10:24:07 what Judge Sparks was discussing in the *NOV v. Omron* case, and
10:24:12 we'll get to that in a moment.

10:24:19 As the Court has recognized, there is a difference
10:24:22 between disqualification in a standard commercial case and
10:24:28 disqualification in the context of patent litigation. The
10:24:32 Federal Circuit is going to be guided, if it comes to that, by
10:24:38 the cases that deal specifically with disqualification in the
10:24:42 patent context.

10:24:45 And the cases that we've cited in our briefing show
10:24:47 the painstaking analysis of facts and the legal issues that the
10:24:51 courts undertake when determining disqualification in the
10:24:56 context of patent litigation. For example, the *Biax* case in
10:25:03 the Eastern District of Texas, the court found that two patent
10:25:06 infringement representations involving server technology and
10:25:08 server architecture were not substantially related because the
10:25:13 purported link between the technologies was too broad.

10:25:15 In the *Power MOSFET* case in the Eastern District of
10:25:19 Texas, the court found that two patent infringement
10:25:22 representations involving the same type of semiconductor device
10:25:25 were not substantially related. The court did a survey of the

10:25:29 case law of the substantial relationship test in the patent
10:25:34 context and found that the relevant factors that courts
10:25:37 consider are whether there are factual similarities between the
10:25:41 two representations, whether the legal questions posed are
10:25:45 similar, and the nature and extent of the attorney's
10:25:49 involvement in the former representation.
10:25:53 So that gets us to the question the court has to
10:25:56 answer. Is something that Ms. Rutherford did at Schlumberger
10:26:02 substantially related to the work she has allegedly performed
10:26:04 in connection with Dynamic 3D's patent case against
10:26:08 Schlumberger? The answer is no.
10:26:11 And at the outset, the Court should take note that
10:26:15 Schlumberger has never been able to identify with any
10:26:18 specificity any confidential information that Ms. Rutherford
10:26:23 learned at Schlumberger. They failed to establish that
10:26:28 Ms. Rutherford had ever heard of the '319 patent when she was
10:26:32 at Schlumberger. Certainly that would be relevant to the
10:26:36 substantial relationship analysis. They failed to show that
10:26:39 Ms. Rutherford had any confidential information relating to
10:26:43 Schlumberger's product, Petrel that could have been used in the
10:26:47 '319 litigation. And Schlumberger's own actions in this court
10:26:53 demonstrate that all of the technology relevant to infringement
10:26:56 is publicly available. And contrary to what Schlumberger says,
10:27:00 that does make a difference.
10:27:03 Now, Schlumberger explained -- failed to explain in

10:27:07 state court why any information that she might have learned at
10:27:11 Schlumberger is legally or factually connected to the issues
10:27:15 presented in this litigation. The best that Schlumberger could
10:27:20 muster is that Ms. Rutherford was exposed to Petrel when she
10:27:25 was at Schlumberger. But that's not enough to infect her with
10:27:28 any confidential information that would implicate the
10:27:30 substantial relationship test.
10:27:33 Recall that last week Mr. Beardsell, in this court,
10:27:37 demonstrated the critical technical features of the '319 patent
10:27:44 but he used Petrel to do it. He showed all of those patented
10:27:47 features using a version of Petrel in open court and in front
10:27:51 of five of Schlumberger's competitors.
10:27:55 THE COURT: Well, here is what I need you to address.
10:27:58 Everything you say is fine and good, but *American Airlines*
10:28:02 appears to say -- and I'm aware that I'm in the Fifth Circuit,
10:28:08 so I can't dismiss a Fifth Circuit case as readily as you argue
10:28:13 me to do so. *American Airlines* appears not to focus or even
10:28:21 care about what was actually known. It just creates
10:28:26 rebuttable -- irrebuttable presumptions. And if it's an
10:28:31 irrebuttable presumption and I find that *American Airlines*
10:28:34 controls in this case, then tell me how I get to any of these
10:28:39 actual knowledge facts that you're saying that she didn't have.
10:28:45 MR. COLLINS: Because the whole theory underlying the
10:28:50 substantial relationship test is preserving the client's
10:28:54 confidences. And if there's nothing confidential in the prior

relationship, it doesn't matter.

THE COURT: Well, tell me what either Fifth Circuit case or Federal Circuit case says that. Because whether I apply *American Airlines* or not, I have to pay careful attention to it and at least distinguish it. So if I'm not to -- if I accept your argument and I do not apply *American Airlines* as written, what do I apply that is Circuit precedent of some kind?

MR. COLLINS: Your Honor, maybe I misled the Court. I'm not arguing that --

THE COURT: You didn't mislead me. But you're arguing that I get to what she knew and what she did. And the way I read *American Airlines*, that's not relevant. Once I find based on evidence in the record that is not specific to what she actually did, I apply an irrebuttable presumption.

Now, what I want to hear from you is what law is there that tells me not to do that. What's your best case?

MR. COLLINS: Your Honor, I don't have a case. I'm not going to tell the Court that I do because -- I could go do some research, but I don't have it.

THE COURT: Well, you've had plenty of months to do the research. I don't think there's anything here that the two sides haven't thought of. As I remarked earlier, I've got way too much from you already. I hope your clients are happy with the bills on this and that it works out because I didn't need

what I got, but I'm not going to send you out to do additionally search on it.

MR. COLLINS: Well, Your Honor, if I may, I'd like to focus on the substantial relationship test and the evidence that Schlumberger has brought forward and maybe, more tellingly, the evidence that Schlumberger doesn't have. Now --

THE COURT: Well, don't lose sight of *American Airlines*, because I think *American Airlines* is a boulder out there in your path that you need to go around some way.

MR. COLLINS: We can do that, Your Honor. The *American Airlines* case, as you point out, does set out the substantial relationship test. Now, it also says that Schlumberger has the burden of proof on disqualification. So let's look at their evidence.

Most of the evidence of what Ms. Rutherford did at Schlumberger comes from their privilege log, but it's telling that there's nothing here in this privilege log regarding the '319 patent. There's nothing about the 2011 version of Petrel which is the one accused of infringement. It's all about older versions of Petrel. There's nothing here in this privilege log that shows she's been exposed to a reasonable royalty damage analysis with respect to the '319 patent or Petrel.

So let's look at the privilege log, because I think the Court is going to rightly focus on that. Schlumberger alleges through its privilege log that she participated in this

10:32:28 Goldstar project from January to August of 2007, but that was
10:32:32 seven years ago. And that Gold -- in that privilege log,
10:32:37 there's no mention of the '319 patent because that report was
10:32:43 prepared years before the '319 patent issue.
10:32:45 The version of Petrel in existence at that time
10:32:50 isn't -- is not accused of infringement now. It would be years
10:32:54 before she -- Schlumberger introduced the 2011 version of
10:32:58 Petrel. There is no showing that that report discussed any
10:33:03 particular features of Petrel.
10:33:07 The privilege log shows that the Goldstar was
10:33:12 concerned with surveying the competitive landscape for the
10:33:15 Petrel product, determining where additional patent protection
10:33:18 might be warranted or available, and planning for filing patent
10:33:23 applications on Petrel.
10:33:27 As Ms. Rutherford testified, Jenny Salazar, another
10:33:31 lawyer, was the author of the Goldstar project. Ms. Rutherford
10:33:34 testified that all she did was set out some high-level
10:33:38 guidelines at a very general level. There's no evidence to
10:33:41 suggest that Ms. Rutherford was involved in -- in any kind of
10:33:47 work related to the preparation of the Goldstar reports.
10:33:51 Now, while there apparently is a reference in one of
10:33:55 these documents to Austin Geo's RECON software, along with
10:33:58 numerous others, it's important to remember that the Goldstar
10:34:02 predates the issuance of the patent at issue here by four
10:34:06 years. It predated Ms. Rutherford's employment at Acacia by

10:34:11 1 six years. And as we've seen under the model rules, the
10:34:15 2 passage of time is a strong factor mitigating against a finding
10:34:19 3 of a substantial relationship based on Goldstar.
10:34:23 4 There's no evidence -- and this is very important --
10:34:26 5 that anything in the Goldstar project was concerned with the
10:34:30 6 issue of whether Schlumberger -- whether Patrel Schlumberger --
10:34:34 7 Schlumberger's Petrel product infringed anyone else's patent.
10:34:39 8 There's no evidence that Petrel was compared to any patent,
10:34:43 9 much less the '319 patent, to determine whether it might
10:34:47 10 infringe. What else is in the privilege log?
10:34:50 11 Well, there's Ms. Rutherford's alleged participation
10:34:54 12 in the Canadian copyright suit involving Patrel in 2006 and
10:35:00 13 2007, but that was a software piracy case. Schlumberger was
10:35:06 14 seeking a temporary restraining order for unauthorized copying
10:35:10 15 of the software and selling it to others.
10:35:12 16 There is no commonality of legal and factual issues
10:35:16 17 between a copyright infringement suit where Schlumberger's
10:35:21 18 alleging copyright infringement and a patent infringement suit
10:35:25 19 where a Schlumberger product, like Petrel, is accused of patent
10:35:30 20 infringement.
10:35:32 21 In a software case someone had made an unauthorized
10:35:34 22 copy. Schlumberger wanted to be paid. The issues are fairly
10:35:39 23 simple. Did the defendant make an authorized copy of the
10:35:40 24 software? How many copies were made? What was the unit price
10:35:45 25 of software because, for damages, the plaintiff gets to recover

10:35:47 the value of a lost sale.

10:35:49 The issues in this patent case are completely
10:35:57 different. The threshold issue is what do the claims of
10:36:01 Dynamic 3D's '319 patent mean. Does Petrel infringe the '319
10:36:06 patent? The version of Petrel involved in the copyright suit
10:36:11 is not accused of infringement here. Is the '319 patent valid
10:36:15 and enforceable? What would be a reasonable royalty for the
10:36:19 use of the '319 patent?

10:36:22 And it's important to note here that there aren't any
10:36:24 similarities between the remedies and the distinct areas of law
10:36:29 in copyright and patent. In patent cases, as the Court's
10:36:33 aware, a reasonable royalty -- royalty analysis is performed by
10:36:41 the trier of fact. They look at the Georgia-Pacific factors
10:36:44 with the aid of expert testimony and determine how a
10:36:47 hypothetical negotiation between a willing licensee and a
10:36:50 willing licensor might come out. The reasonable royalty value
10:36:54 of damages has to be tied to the value of the patented
10:36:59 features, not the price of the infringing product.

10:37:01 So the damages analysis in a patent case is
10:37:05 completely different from the damages analysis in a copyright
10:37:09 case. Other than the word "Petrel," Schlumberger's Canadian
10:37:15 software piracy case and the patent litigation before this
10:37:18 Court have nothing in common.

10:37:20 Now, there's no evidence that Ms. Rutherford learned
10:37:25 any technical details about how the early version of Petrel

worked or had any exposure to the source code. The source code is not even an issue here. And the version of Petrel that is accused in this suit is not the older non-infringing version that was at issue in the copyright case.

The *Power MOSFET* case out of the Eastern District of Texas is very instructive here. The court found two successive patent litigation cases on the same time of semiconductor device were not related. So how is a case in which Schlumberger is asserting software piracy even remotely related to a case six years later where Schlumberger accused of infringing a patent that did not exist at the time of the earlier representation?

Now, Ms. Rutherford was also allegedly copied on three e-mails discussing the possibility of filing an intellectual property suit related to Petrel. But, again, that was an older infringing version of Petrel that's irrelevant to this suit. There's no evidence Ms. Rutherford was given any confidential information related to the issues here. There's no evidence that the potential suit was related to a patent. There's no evidence the suit was filed or that she participated in a lawsuit in any way. Schlumberger was considering filing a suit, not defending one.

According to the privilege log, she added some comments to a draft settlement agreement in July of 2008. Well, what was the draft settlement agreement related to? Was

10:39:13 it related to a patent case? Was it related to a commercial
10:39:16 litigation case? There's no evidence that it involved a patent
10:39:19 or that it involved Petrel. She saved a document related to IP
10:39:26 protection for Petrel in August of 2008. Well, what kind of
10:39:29 protection? Was it copyright protection? trade secret
10:39:33 protection? trademark protection? And intellectual property
10:39:36 protection of a product involves completely different legal
10:39:40 issues than those involved in defending the product against
10:39:45 claims that it infringes someone else's patent.
10:39:47 She participated in three discussions in 2009
10:39:50 according to the privilege log about the opportunity to license
10:39:54 Petrel to other parties. But that was an older non-infringing
10:40:01 version of Petrel that isn't accused of infringement in this
10:40:05 case. There's no showing that that presentation contained any
10:40:08 confidential information -- or any information that's relevant
10:40:12 to this litigation or even remotely related.
10:40:17 There's no allegation that the potential licensing
10:40:20 has any connection to any litigation. There's no allegation
10:40:25 that the licensing involved patent licensing. It could have
10:40:28 been a completely different type of license. It appears to
10:40:32 involve out-licensing as opposed to Schlumberger licensing
10:40:37 somebody else's technology. It has no relevance to what a
10:40:42 reasonable royalty would be for the '319 patent because, as
10:40:45 we've explained, that's a completely different analysis than
10:40:50 licensing in other contexts.

10:40:54 Any royalty analysis that would be relevant to the
10:40:56 '319 patent would have to focus on the specific features
10:40:59 patented. Apparently she provided some drafts -- some edits to
10:41:05 a draft settlement agreement in January of 2009. But a draft
10:41:10 settlement agreement related to what kind of case? Was it a
10:41:15 patent case? Did it involve Petrel? There's no indication
10:41:22 that it did.
10:41:22 Allegedly she sent an e-mail attaching slides which
10:41:25 summarized a Schlumberger monetization program in December of
10:41:29 2009. But that's related to the offensive use of
10:41:34 Schlumberger's IP. It doesn't particularly or appear to relate
10:41:39 to Petrel. And there's no relationship. It has no
10:41:44 relationship to how Schlumberger would defend a patent
10:41:47 infringement suit against it.
10:41:49 And what company that owns patents doesn't try to
10:41:51 monetize them. Is Schlumberger saying you can never work on
10:41:56 monetization of a patent? If you've done that as a lawyer
10:41:58 there, that you can't ever represent another client in
10:42:04 monetization?
10:42:04 Apparently, Ms. Rutherford authored some slides in
10:42:07 January of 2011 discussing Schlumberger's IP strategy, but
10:42:11 there's no evidence it involved Petrel or even patents. No
10:42:16 evidence it involved any analysis of whether any Schlumberger
10:42:19 product, including Petrel, might infringe someone else's
10:42:22 patents.

10:42:23 And under the ABA model rule, comment 1.9 and comment
10:42:29 3, which we cite in our brief: General knowledge of the
10:42:33 client's policies and practices -- in this case, Schlumberger's
10:42:38 general IP strategy -- ordinarily would not preclude a
10:42:41 subsequent representation.
10:42:44 Ms. Rutherford was allegedly copied on an e-mail
10:42:47 which attaches a slide containing a reference to results of a
10:42:50 Petrel IP analysis and designating Petrel for continued
10:42:55 monitoring in December of 2012, but there's no evidence she
10:42:58 performed any analysis or there's no evidence that there was
10:43:03 any kind of patent -- related analysis.
10:43:07 No mention of Austin GeoModeling. No mention of the
10:43:11 '319 patent. According to the privilege log, she was copied on
10:43:16 an e-mail attaching Patrel-related patent memoranda and an
10:43:21 invention disclosure in December of 2012. But there's no
10:43:25 evidence she had anything to do with the invention disclosure
10:43:28 or did anything with it.
10:43:31 This e-mail pertains to the possibility of obtaining
10:43:34 protection for Petrel, and there's no evidence that this
10:43:41 undisclosed aspect of Petrel that they were trying to patent or
10:43:45 thought about patenting had anything to do with the specific
10:43:48 features that are at issue in the '319 patent litigation.
10:43:54 Finally, the privilege log shows that Ms. Rutherford
10:43:57 allegedly responded to an e-mail request from her boss,
10:44:02 Alex Juden, to discuss the filing of an intellectual property

lawsuit in January of 2013. But what kind of intellectual property lawsuit? Was it a patent lawsuit? They would have said so if it was. Did it have anything do with Petrel? No indication of that. How can this be substantially related to the issues in the present lawsuit?

What is telling here, Your Honor, is what is missing from Schlumberger's evidence. What would allow them to perhaps carry the day on the substantial relationship test? There's no evidence that Charlotte Rutherford was ever aware of the '319 patent during her tenure at Schlumberger.

There's no evidence that she ever performed any kind of analysis of whether the '319 patent was infringed, whether it was valid, whether it was enforceable, or what a reasonable royalty would be for the use of the patent. There's no evidence that she ever participated in defending any patent infringement suit related to Petrel while she was at Schlumberger.

In short, there's no evidence of any kind that would establish a substantial relationship between the work Ms. Rutherford did at Schlumberger and the issues in this patent infringement lawsuit.

What is very telling here, Your Honor, is that they submit no declarations of any kind from anyone at Schlumberger detailing what confidential information Ms. Rutherford has that would be relevant to the patent case.

10:45:48 THE COURT: But if the Court is compelled to apply
10:45:51 *American Airlines*, isn't that exactly what *American Airlines*
10:45:54 says need not be produced in a removal of counsel argument?
10:46:01 MR. COLLINS: It doesn't have to be produced, but
10:46:04 they do have to delineate with specificity, Your Honor, what
10:46:10 she worked on at Schlumberger and how that is specifically
10:46:17 relevant to the issues in the patent case. And that's what
10:46:21 they failed to do.
10:46:22 Your Honor, Schlumberger's analysis also fails to
10:46:37 take into account Ms. Rutherford's duties in Schlumberger's
10:46:42 legal department. They were managerial and supervisory. And
10:46:47 under the ABA formal opinion 99415, which we cite in our brief,
10:46:53 a general knowledge of Schlumberger's strategies and policies
10:46:57 and personnel wouldn't be enough to establish a substantial
10:47:00 relationship between the current patent case and the work she
10:47:03 performed in Schlumberger's legal department. General
10:47:08 supervisory responsibility would not be enough to establish
10:47:10 that Ms. Rutherford represented Schlumberger in a particular
10:47:13 matter even if it was the same as or substantially related to
10:47:18 the patent case.
10:47:22 So, in summary, there aren't any legal issues that
10:47:26 are common in Ms. Rutherford's work at Schlumberger and the
10:47:30 present patent litigation, and the only factual similarity
10:47:33 begins and ends with the word "Petrel."
10:47:37 Under Texas law Schlumberger has failed to show that

10:47:41 the factual matters involved in Ms. Rutherford's work at
10:47:44 Schlumberger are so related to the facts in the pending patent
10:47:49 litigation that it creates a genuine threat that confidences
10:47:55 revealed to Ms. Rutherford would be divulged. And under the
10:47:59 Fifth Circuit standard, the *American Airlines* standard,
10:48:03 Schlumberger has failed to meet its burden of delineating with
10:48:08 specificity the subject matters, issues, and causes of action
10:48:12 common to the prior and current representation.
10:48:15 The Court doesn't even need to reach the issue of
10:48:18 whether to disqualify Mr. Fischman and the other lawyers at
10:48:24 Acacia or the lawyers in my firm.
10:48:28 Now, even if the Court were to disqualify
10:48:31 Ms. Rutherford, that conflict shouldn't be irrebuttably imputed
10:48:36 to every lawyer that works for Acacia or one of its
10:48:39 subsidiaries. That's not the law in the Fifth Circuit case,
10:48:43 and that's what Judge Sparks was setting forth in the *NOV v.*
10:48:48 *Omron* case.
10:48:50 At the outset I'd like to note that Schlumberger
10:48:54 ignores the special role that is played by in-house counsel,
10:48:58 particularly at a large company like Acacia. It's got over a
10:49:02 billion of capitalization. Acacia's business is acquiring and
10:49:07 licensing patents. It naturally employs a large number of
10:49:11 patent lawyers in a variety of capacities. Some of the
10:49:13 capacities are business; some of them are legal. Most of it's
10:49:17 licensing executives, like Mr. Fischman, are lawyers.

10:49:21 Mr. Fischman is responsible for managing the Austin GeoModeling
10:49:26 patent portfolio that's now owned by Dynamic 3D Geo.
10:49:31 Other licensing executives have other
10:49:33 responsibilities. They're responsible for other portfolios
10:49:37 that are completely unrelated. They're owned by other
10:49:40 subsidiaries of Acacia. There's no evidence that any of them
10:49:43 have any involvement with Dynamic 3D and the '319 patent.
10:49:47 Like many in-house lawyers, the lawyers who work at
10:49:51 Acacia, as I said before, perform dual functions. Many of them
10:49:57 are strictly business lawyers. Should they be disqualified as
10:50:01 well? Are they part of this one big law firm concept that
10:50:07 Schlumberger advocates?
10:50:08 Now, Schlumberger's disqualification theory relies on
10:50:13 this conclusory allegation that Acacia functions as one big law
10:50:19 firm, but Schlumberger's offered no evidence whatsoever that
10:50:22 Acacia even has a corporate legal department, much less one
10:50:25 that operates as a single law firm. The patent portfolios and
10:50:31 the subsidiaries to which they are assigned are separate profit
10:50:36 centers.
10:50:37 And the relief that Schlumberger is requesting here
10:50:41 is literally without precedent. They're trying to disqualify
10:50:44 every lawyer employee at Acacia, and Schlumberger doesn't cite
10:50:47 a single case in the briefing where a court has imputed a
10:50:50 conflict among in-house lawyers employed by a corporation. And
10:50:55 Mr. Burton when he testified couldn't cite any case. The

10:50:59 *Honeywell* case which is cited by Schlumberger is
10:51:03 distinguishable on the facts because it doesn't even deal with
10:51:07 the disqualification of in-house counsel at all.
10:51:11 Now, Judge Sparks got it right. The *NOV* case doesn't
10:51:20 have anything to do with whether Ms. Rutherford should be
10:51:26 disqualified. It deals with whether the conflict that a lawyer
10:51:32 has should be irrebuttably presumed to have been shared --
10:51:38 well, here's what -- here's what Judge Sparks said. Let me
10:51:43 back up. Under Fifth Circuit precedent, there is no
10:51:51 established irrebuttable presumption that a lawyer shares
10:51:55 client confidences he possesses with other lawyers at his law
10:51:59 firm.
10:51:59 And after a close examination of the facts and
10:52:04 circumstances of the case, along with the equitable
10:52:06 consideration, the court determined that disqualification would
10:52:10 be too severe a remedy to impose on NOV, disqualification of
10:52:16 other lawyers within the firm, especially in view of the fact
10:52:19 that Omron couldn't identify any prejudice it would suffer if
10:52:25 the other lawyers remained on the case. And this is highly
10:52:28 relevant to the issue of whether the other lawyers at Acacia,
10:52:31 including Mr. Fischman, should be disqualified.
10:52:36 Dynamic 3D would suffer great harm if every lawyer in
10:52:40 Acacia were disqualified, if it were deprived of all of its
10:52:45 legal counsel. Schlumberger hasn't identified any harm that
10:52:51 its going to suffer if other lawyers in Acacia are not

disqualified.

Schlumberger also ignores the very limited role that Ms. Rutherford has played in the decision to acquire and enforce the '319 patent. She never denied that she played a role. She did participate in two meetings with Austin Geo and the conference call where her testimony is somewhat misremembered. And we'll get to that in a minute.

Schlumberger -- Ms. Rutherford testified that she hasn't discussed the present patent infringement case against Schlumberger with anyone at Acacia and testified she's not allowed to discuss such matters. She hasn't discussed Petrel with anyone at Acacia or -- or with the plaintiff. She's identified two meetings with Austin Geo and the conference call where there was a PowerPoint presentation as the only two meetings she's had in connection with the process of acquiring the '319 patent. At both meetings with Austin Geo, when Schlumberger was mentioned, Ms. Rutherford told the participants that she used to work for Schlumberger and couldn't talk about Schlumberger.

Now, Schlumberger talks about the presentation that was given in the Austin Geo meeting, and let's look at that for just a moment. Hopefully this will work. Here we go. This is the executive summary prepared for Acacia at that meeting. It was prepared by Robin Dommisse and Tron Isaksen, the two inventors, the two co-founders of Austin GeoModeling.

10:54:46 Ms. Rutherford didn't prepare this, and no one at Acacia
10:54:48 prepared this.
10:54:49 Let's look. There is a slide that deals with
10:54:51 Schlumberger market size. This didn't come from
10:54:54 Ms. Rutherford. It didn't come from anybody at Acacia. This
10:54:58 was Austin GeoModeling's work. They were trying to sell Acacia
10:55:06 on the idea of acquiring the patent.
10:55:09 The Schlumberger revenue, this is not something that
10:55:13 Ms. Rutherford came up with. It's not something she provided.
10:55:17 She sat in a presentation. And when she saw this slide come
10:55:20 up, this -- this was Austin GeoModeling's work. When she saw
10:55:27 this slide come up, what did she do? She told the
10:55:31 participants, I used to work for Schlumberger, and I can't talk
10:55:35 about Schlumberger. And that was the end of the conversation
10:55:38 about Schlumberger. There was no further conversation about
10:55:41 Schlumberger at either meeting. Her deposition testimony is
10:55:44 unequivocal on that.
10:55:47 Now, at the conference call, where the presentation
10:55:53 recommending acquisition of the '319 patent was made to
10:55:57 Mr. Vella, before Schlumberger was to be discussed, she dropped
10:56:02 from the conference call and didn't rejoin it. She wasn't
10:56:05 involved in any due diligence related to the validity of the
10:56:09 '319 patent. She wasn't involved in negotiation or approval of
10:56:14 the terms of the deal acquiring the '319 patent, and she didn't
10:56:18 have any knowledge of the financial arrangements of that deal.

10:56:23 Now, Schlumberger also ignores the un-controverted
10:56:27 evidence that Ms. Rutherford played no role in the decision to
10:56:32 sue Schlumberger. There's not a shred of evidence that she
10:56:35 participated in that decision other than the concurrence, other
10:56:39 than saying, I concur with the recommendation made by others.
10:56:43 That's it. And there's no evidence that Ms. Rutherford plays
10:56:49 any kind of meaningful role in the ongoing patent litigation
10:56:53 against Schlumberger.
10:57:14 Now, Schlumberger put up this e-mail, and they say
10:57:16 this evidence that she was heavily involved in the decision to
10:57:19 sue Schlumberger and heavily involved in the process of
10:57:24 deciding whether to acquire the '319 patent. We're not
10:57:28 debating that she had some involvement in the process of
10:57:34 evaluating the '319 patent.
10:57:36 But look at this e-mail. Ms. Rutherford is the
10:57:42 recipient of draft versions of the complaints against
10:57:48 Schlumberger and Halliburton on January 29th. What does she
10:57:52 say in response? "Thanks, Gary. Good job. Please extend my
10:57:56 thanks." Does this indicate she approved the complaint? No,
10:58:01 there's nothing in the record. Did she review it? Nothing in
10:58:04 the record there. She testified she didn't. Did she make any
10:58:08 change to it? No. This draft complaint is identical to the
10:58:12 one that was actually filed a few days later.
10:58:27 Another e-mail, November 15th. After the decision
10:58:33 had been made to acquire the '319 patent, Mr. Vella confirmed

it in an e-mail that Ms. Rutherford was copied on. Is this a communication with Collins Edmonds? Is it a substantive communication of any kind? She doesn't say anything here. She's just copied. It doesn't evidence any participation. It's more of an FYI kind of thing.

The Rutherford privilege log. Schlumberger claims that Ms. Rutherford's privilege log shows she was heavily involved in Acacia's pre-suit assessment of potential damages. The Privilege log entries show, at most, she was copied on work product estimating the potential damages that might be recoverable. There's no entry that shows she performed any of this analysis or contributed anything to the analysis. It shows that she was copied on correspondence that mention a number of things related to damages. That's all. These were bundled together for a number of potential defendants. And it's telling that no communication ever comes back from her.

Schlumberger says that Mr. Fischman routinely forwarded e-mails that he received from my firm. One that we just saw forwards the draft complaints. Another one forwards a filed Haliburton complaint. Another forwards the Schlumberger complaint after it was filed. And the most she ever has to say is the "thank you" and the "good job."

The privilege log lists two more e-mails from my firm that were forwarded by Gary Fischman to Ms. Rutherford. One was a comment about the assignment of the case to the court.

11:00:32 The other was a request from Mr. Wingard for an extension of
11:00:35 time to respond to the complaint. There's no evidence that she
11:00:40 ever responded to either of these, and five e-mails hardly
11:00:44 establish a routine of Mr. Fischman forwarding correspondence
11:00:48 to Ms. Rutherford. They don't establish any meaningful
11:00:55 participation by Ms. Rutherford in this litigation. At best,
11:00:59 they're FYI communications.
11:01:03 As we said at the outset, the relief sought by
11:01:06 Schlumberger, which is disqualification of every lawyer
11:01:09 employee of Acacia is unwarranted and it's extreme. It results
11:01:12 in extreme prejudice to Dynamic 3D because it's going to
11:01:15 deprive Dynamic 3D of all in-house counsel that could help it
11:01:22 prosecute any lawsuit against Schlumberger. That result is not
11:01:30 supported by any case law, and this Court should resist
11:01:33 Schlumberger's invitation to order it.
11:01:37 Now, with respect to disqualification of outside
11:01:40 counsel, Schlumberger realizes it doesn't have any evidence
11:01:45 that Ms. Rutherford has communicated any confidential
11:01:49 information of Schlumberger to my firm. Schlumberger has no
11:01:55 choice but to come up with this creative double-imputation
11:01:58 theory that is completely contrary to the black letter law of
11:02:01 the Fifth Circuit and is based on a creativeness interpretation
11:02:05 of Texas state law.
11:02:08 The threshold issue is whether Ms. Rutherford is even
11:02:11 cocounsel with my firm. And on the facts, the answer is no.

She doesn't appear on any of the pleadings. She hasn't entered an appearance in this case. She hasn't meaningfully participated in Dynamic 3D's patent case against Schlumberger. Her un-controverted testimony is that all communications between Schlumberger -- I mean, between Dynamic 3D and my firm are handled by Gary Fischman. He's the only person at Acacia who interacts with my firm on all of the '319 patent cases, including the one against Schlumberger.

Now, assuming for the sake of argument that the Court somehow does find --

THE COURT: Well, stop right there for a minute. Isn't there some evidence of interaction with your firm in the e-mails about having reviewed the complaint and having been involved with checking the complaint out and commenting on the complaint? That's some involvement in this case.

MR. COLLINS: But it's not directly with me, Your Honor. That's the point. She forwarded something -- I forwarded draft complaints to Mr. Fischman. Unbeknownst to me, Mr. Fischman forwarded them to Ms. Rutherford, but nothing ever came back from her. She didn't revise the complaints, and she never said anything to anybody except to Mr. Fischman. She says "thank you" and "good job."

THE COURT: Well, we kind of come back to whether *American Airlines* applies and there are irrebuttable presumptions that the court must engage in. And it seems to me

11:03:42 in *American Airlines*, if it applies, what the Fifth Circuit was
11:03:47 referring to was the issue of you don't have to get into that.
11:03:54 The Court -- the trial Court in observing this is forced to
11:04:01 follow these irrebuttable presumptions if there is a
11:04:06 substantial relationship.
11:04:08 MR. COLLINS: Well, *American Airlines* doesn't apply
11:04:12 to the cocounsel -- the specific cocounsel disqualification
11:04:17 issue.
11:04:19 THE COURT: I understand.
11:04:19 MR. COLLINS: That's the *Brennan's* case.
11:04:21 THE COURT: Yeah.
11:04:22 MR. COLLINS: And that is binding Fifth Circuit
11:04:27 precedent that's never been overruled and never been
11:04:30 criticized, and I'm going to quote from it. "When cocounsel
11:04:35 has not had an attorney-client relationship," distinguishing it
11:04:38 from the *American Airlines* situation.
11:04:40 THE COURT: And give me your page number and case
11:04:43 again.
11:04:44 MR. COLLINS: Yes, sir. It's *Brennan's, Inc. v.*
11:04:48 *Brennan's Restaurants, Inc.*
11:04:50 THE COURT: Right. And what's your page cite, and
11:04:52 then give me the quote.
11:04:53 MR. COLLINS: Yes, sir. It's -- it's 590 F.2d 168.
11:04:59 And I think if you go to page 174, you will find what --
11:05:04 THE COURT: All right.

MR. COLLINS: -- what you're looking for.

THE COURT: Go ahead.

MR. COLLINS: Okay. When cocounsel had not had an attorney-client relationship with the disqualified lawyer's former client, a different rule applies. Disqualification is warranted only when actual disclosure -- the words "actual disclosure" are in there -- of the former client's confidential information to cocounsel is shown. They have to show actual disclosure. A presumption of disclosures or confidences is inappropriate. As I said, it's never been overruled, never criticized.

There are two reasons why this case law presents a huge obstacle to Schlumberger. Schlumberger under this test has to come forward with evidence that Ms. Rutherford has actually shared Schlumberger's confidential information with my firm, and it has to be information that would be relevant to the current patent litigation. And Schlumberger has another problem. It doesn't have any evidence that Ms. Rutherford actually communicated any confidential information of Schlumberger to anyone at my firm.

So what does Schlumberger do? Well, they come up with this double-imputation theory which they base on a misinterpretation of state law. They cite the American -- *In Re American Home Products* test which provides for a burden-shifting approach to determining whether actual

11:06:44 disclosure has occurred. But all it does is shift the burden.
11:06:51 At the end of the day, the court still has to find -- still has
11:06:58 to find that confidential information was disclosed.
11:07:04 Schlumberger argues that the Fifth Circuit would
11:07:06 adopt the state law approach now because a couple of federal
11:07:09 district courts in this state have done so. They cite the
11:07:15 *Ledwig* case out of Western District of Texas, and I can give
11:07:18 you cites if Your Honor wants them.
11:07:20 THE COURT: Go ahead.
11:07:21 MR. COLLINS: Okay. And the *Vinewood Capital* case
11:07:25 out of the Northern District of Texas. But neither of these
11:07:28 cases, even though they use the state law approach, presume a
11:07:33 disclosure of the former client's confidences to cocounsel.
11:07:37 They clearly follow and they cite with direct quotes the
11:07:44 *Brennan's* case, the Fifth Circuit case, and state that a
11:07:46 presumption of disclosure of confidences is inappropriate.
11:07:52 Now, to help the Court understand what Schlumberger
11:07:57 is trying to do here and the competing disqualification
11:08:00 theories as to cocounsel, I've prepared a graphic that I hope
11:08:04 will be somewhat helpful. This is the law of cocounsel
11:08:10 disqualification under both Texas law and the *Brennan's* case in
11:08:15 the Fifth Circuit.
11:08:16 You have Acacia management, Ms. Rutherford. You have
11:08:21 Dynamic 3D Geo, where Mr. Fischman is the responsible licensing
11:08:26 executive. And, finally, you have my firm, outside counsel for

11:08:30 Dynamic 3D Geo. My firm can only be disqualified on cocounsel
11:08:36 disqualification theory if the Court finds at the end of the
11:08:41 day that there's been actual communication of Schlumberger's
11:08:44 confidential information.
11:08:46 THE COURT: Now, what's your strongest case on that?
11:08:49 MR. COLLINS: My strongest case, Your Honor, is
11:08:52 clearly the *Brennan's* case out of the Fifth Circuit, and it
11:08:57 quotes several other cases which you'll see in a string cite in
11:09:03 there. And in our briefing we cite to *Brennan's*. We also cite
11:09:10 to the *Ledwig* and *Vinewood Capital* cases, because if the Court
11:09:13 does decide to adopt the Texas state law approach but
11:09:19 interprets it correctly, the outcome is the same.
11:09:22 This is what Schlumberger's is trying to do. This is
11:09:28 their creative cocounsel disqualification theory. According to
11:09:33 them, Rutherford's conflict is irrebuttably imputed to
11:09:41 Mr. Fischman. No communication is required of any of
11:09:45 Schlumberger's confidential information if its an irrebuttable
11:09:50 presumption.
11:09:50 But then they turn the law on its head and say, Well,
11:09:53 the direct communication between Ms. Rutherford and CEP doesn't
11:09:57 have to exist and we're going to impute a second
11:10:01 disqualification from Fischman to my firm, again, without any
11:10:07 communication of confidential information. Well, that flies
11:10:11 completely in the face of what *Brennan's* says, that actual
11:10:14 disclosure of confidential information must be found.

11:10:17 So even if this court were to adopt a state law
11:10:33 burden shifting approach, Schlumberger's theories fail. Under
11:10:36 *Ledwig*, Schlumberger has the burden of demonstrating that there
11:10:37 were substantive conversations between Ms. Rutherford and my
11:10:41 firm. If they could be successful in doing that -- or I'm
11:10:45 sorry -- and joint preparation for trial by this counsel or the
11:10:49 apparent receipt by my firm of Schlumberger's confidential
11:10:54 information.
11:10:55 Only if they could prove that would there -- would
11:10:58 the rebuttable presumption arise that Ms. Rutherford shared
11:11:01 confidential information with my firm. But then Dynamic 3D is
11:11:07 afforded the opportunity to rebut this presumption by providing
11:11:11 probative and material evidence that confidential information
11:11:14 was not disclosed to us.
11:11:16 So what does the evidence show? Well, there's no
11:11:18 evidence that Ms. Rutherford has prepared for the trial of this
11:11:22 case with my firm, and there's no apparent receipt of
11:11:28 Schlumberger's confidential information by my firm. They can't
11:11:32 identify one piece of confidential technical information of
11:11:36 Schlumberger that I have ever received or that anyone at my
11:11:39 firm has ever received. So they are left to argue that
11:11:41 Ms. Rutherford had substantive communications with my firm
11:11:46 about the patent infringement litigation.
11:11:48 Well, they're grasping at straws, Your Honor. These
11:11:52 are the alleged substantive communications: Her participation

in the presentation regarding acquisition of the '319 patent despite the fact that she removed herself from the call and despite the fact that we weren't even there, as you'll see in a minute; her alleged receipt of a recommendation to sue from my firm despite the fact that that never happened, as you'll see in a moment; her agreement with the decision to sue Schlumberger. They're saying that her concurrence is somehow a communication. But there's nothing in the -- in the record that any specific substantive communications about Schlumberger took place during that presentation, much less any communication that took place before she excused herself from the meeting.

They have no explanation for why her participation in the decision to hire my firm was a substantive -- was a substantive communication with my firm. So they're left to argue that her concurrence in the decision to acquire the '319 patent and to sue Schlumberger is somehow an implied communication of Schlumberger's confidential information directly to my firm. It's a novel and creative theory, but it doesn't have any support in the case law.

And even if the Court did believe that there was a substantive communication between Ms. Rutherford and my firm, we've come forward with more than sufficient evidence, probative and material evidence, that confidential information could not have been disclosed to CEP by Ms. Rutherford.

11:13:34 The time line established by the declarations of
11:13:39 Gary Fischman and I establish that neither I nor anyone at CEP
11:13:44 could have been involved in that hour-long presentation that
11:13:47 she talks about in her deposition that led to the decision to
11:13:50 acquire the '319 patent.
11:13:53 Unfortunately, Ms. Rutherford simply mis-recalled the
11:13:57 details of that presentation and who was present. That's
11:14:00 understandable because she thought she was being deposed in a
11:14:03 state court trade secret case, and it turned out that the
11:14:07 deposition that was just conducted by Mr. Grant was all about
11:14:10 the patent case. She didn't have any documents in front of her
11:14:14 to refresh her recollection.
11:14:16 So what do the -- what do the declarations of
11:14:20 Mr. Fischman and Mr. Collins establish? And they're in the
11:14:24 record. They're attached to our briefing. Well, Acacia
11:14:31 research entered into an agreement with Austin Geo to acquire
11:14:34 the '319 patent on August 20th, 2013. On November 7th
11:14:39 Mr. Fischman made the PowerPoint presentation during a
11:14:43 telephone call with Matt Vella. He recommended that Acacia
11:14:48 acquire the '319 patent. Charlotte Rutherford testified that
11:14:54 she participated in the telephone call with Mr. Vella. She
11:14:59 excused herself, though, before there was any discussion
11:15:03 related to Schlumberger. No outside counsel participated. My
11:15:09 declaration and Mr. Fischman's declaration are in complete
11:15:14 agreement and they're unequivocal. And, as Mr. Fischman

11:15:19 testified, the decision to acquire and enforce the '319 patent
11:15:22 was made at the conclusion of the call by Mr. Vella.
11:15:26 And this is important because the declarations of
11:15:30 Mr. Fischman and I establish that Mr. Fischman didn't even
11:15:34 approach me about representing Acacia and the enforcement of
11:15:38 the '319 patent until November 12th, five days later, after he
11:15:44 made the PowerPoint presentation to Mr. Vella and after the
11:15:47 decision was made to acquire the '319 patent.
11:15:52 And my declaration confirms under oath what I've told
11:15:57 the Court all along, and I take these responsibilities very
11:16:00 seriously. I haven't misled the Court about anything in
11:16:03 connection with this motion. No one at my firm prepared or
11:16:06 presented any kind of PowerPoint presentation to anyone at
11:16:10 Acacia, including Charlotte Rutherford, that made any
11:16:13 recommendation regarding whether to acquire the '319 patent.
11:16:19 No one prepared or participated in a PowerPoint presentation
11:16:24 that contained a recommendation as to whether to sue
11:16:27 Schlumberger. No one at my firm has provided any kind of
11:16:30 recommendation to Ms. Rutherford as to whether Dynamic 3D
11:16:36 should or should not sue Schlumberger.
11:16:38 And with respect to the implied communication alleged
11:16:42 by Schlumberger, Ms. Rutherford has never told anyone at my
11:16:47 firm that she concurred in the decision to file the patent
11:16:50 lawsuit against Schlumberger. Under these facts, there's no
11:16:54 basis to disqualify my firm under either Fifth Circuit

11:16:58 precedent, which is binding, or the state law approach.

11:17:03 Now, in conclusion, Your Honor, Schlumberger -- the

11:17:09 relief sought by Schlumberger is brazen. It's unsupported by

11:17:13 either the law or the evidence. The Court warned Schlumberger

11:17:17 in the initial pretrial conference about overreaching, but

11:17:20 Schlumberger has failed to heed that warning. Schlumberger has

11:17:27 persisted, even after being sanctioned in state court, for its

11:17:29 relentless and baseless pursuit of Charlotte Rutherford.

11:17:34 If Schlumberger has its way, Charlotte Rutherford

11:17:37 would be prohibited from participating in any patent

11:17:42 infringement suit or likely any suit against Schlumberger. All

11:17:45 attorney employees of Acacia and its subsidiaries would be

11:17:49 disqualified from participating in any patent infringement suit

11:17:53 against Schlumberger. Any outside counsel hired by Acacia to

11:17:58 sue Schlumberger would also be disqualified under

11:18:00 Schlumberger's double-imputation theory. Any patent

11:18:03 infringement suit filed by Acacia against Schlumberger would

11:18:07 have to be dismissed.

11:18:09 So what Schlumberger is really seeking here by way of

11:18:12 its disqualification motion is a broad immunity that would

11:18:15 allow it to violate Acacia's intellectual property rights with

11:18:20 impunity, and there's ample evidence from Schlumberger that

11:18:24 this course is going to continue.

11:18:30 When questioned by this Court at the pretrial hearing

11:18:33 about the breadth of the relief sought by Schlumberger,

11:18:35 Mr. Grant wouldn't limit the potential scope to this case. In
11:18:39 settlement negotiations, Ms. Ralston assured by client that
11:18:43 Schlumberger would file disqualification motions in every
11:18:45 patent infringement suit ever filed against Schlumberger by an
11:18:51 Acacia entity.
11:18:52 And Schlumberger has been true to its word. Another
11:18:54 Acacia subsidiary, Parallel Separation Innovations, recently
11:18:59 filed a patent suit in the Eastern District of Texas. The same
11:19:02 thing is happening. King & Spalding, Schlumberger's outside
11:19:07 counsel in that case, has already sent a letter to my
11:19:11 colleague, Henry Pogorzelski. And it's a cut and paste of the
11:19:14 letter that Schlumberger sent to this Court last April.
11:19:18 They're threatening disqualification. They're already served
11:19:22 subpoenas that are virtually identical to the subpoenas served
11:19:25 in this case. And those have been served on Charlotte
11:19:28 Rutherford, Gary Fischman, and Acacia. Apparently, because
11:19:33 Judge Lane quashed the subpoenas to my firm, they are not
11:19:36 serving us, at least at this time. They're raising the same
11:19:42 arguments that Schlumberger raises here today in this letter.
11:19:46 So in closing, Your Honor, I note that Schlumberger's
11:19:49 motion also seeks dismissal. Now, that's an extreme remedy.
11:19:56 It's not supported in the case law, and there's nothing in the
11:19:59 case law for the proposition that the attorney disqualification
11:20:02 rules somehow apply to disqualify the client.
11:20:05 Now, Schlumberger argues that dismissal is

11:20:08 appropriate because the case has been tainted by the disclosure
11:20:11 of its confidential information from the beginning. The fatal
11:20:16 flaw in this argument is the same one that underlies all of
11:20:19 Schlumberger's argument. It can't identify any confidential
11:20:23 information by -- possessed by Ms. Rutherford that is related
11:20:28 to this patent litigation or that's been communicated to anyone
11:20:33 at Acacia or my firm.
11:20:35 Thank you, Your Honor.
11:20:42 MR. GRANT: Very briefly, Your Honor?
11:20:44 THE COURT: Mr. Collins, ran over three minutes. You
11:20:46 had two minutes left, so I will give you the equal time he had.
11:20:49 So you have five minutes.
11:20:50 MR. GRANT: Thank you, sir. I'll try to do it in
11:20:52 less. Let me just make sure I've got the screen for the Court
11:20:55 since we're going to move quickly.
11:20:57 All right. Your Honor, you asked about whether the
11:21:00 Federal Circuit applies the right law. This is from footnote 7
11:21:05 of page 7 of our reply brief. Both sides' experts agree that
11:21:10 the Federal Circuit has held that ethical issues are not unique
11:21:13 to patent law and has applied the law of the proper regional
11:21:17 circuit. That's both sides' experts. And that, by the way, is
11:21:20 a statement from their expert's treatise and our expert agrees.
11:21:23 Let's go to page -- slide 50.
11:21:26 Your Honor, there was a lot of talk about the fact
11:21:28 that Ms. Rutherford's work was way back in 2007. 2007, when

she was analyzing that competitive landscape, that's what the Austin GeoModeling RECON product was being analyzed by Schlumberger that led to the patented features in the filing that was made in 2007. It's exactly the same subject matter.

Let's go to 16, please.

"A party seeking to disqualify counsel under the substantial relationship test need not prove that the past and present matters are so similar that the lawyer's continued involvement threatens to taint the trial." That's all Mr. Collins talked about. All we have to show is they're substantially related.

Let's go to 66.

Your Honor, I believe we've shown in spades that these matters are substantially related, not once, not twice, not three times, four times, all on these specific issues. And I would suggest to the Court that under that test which says what substantial relationship is, which is 16 -- I'll show that to you -- there's no question that this test is met.

Sixteen. Next one. Next one. Next slide.

Okay. This is 18, Your Honor. "The substantial relationship test cannot be reduced to a confidentiality rule." That's because the test is concerned with confidentiality and the duty of loyalty. That's what matters here, the duty of loyalty, and that's precisely what the case law says.

Next, 75.

11:23:08 Mr. Collins said that I need to show that
11:23:11 Ms. Rutherford gave his firm confidential information. That's
11:23:14 not the law under *Ledwig* and *America Home Products*. I need to
11:23:19 show either that she had contact or communications with his
11:23:24 firm or that the imputed lawyers had substantive conversations
11:23:29 or joint preparation. And you saw that in our slide deck,
11:23:32 Your Honor. It's set forth in detail.
11:23:34 Let's go to 102.
11:23:36 Your Honor, you asked repeatedly about *America Home*
11:23:40 *Products*, and I don't think what you said is any different from
11:23:43 what I've got up here which is this Court is obligated to
11:23:46 follow that binding precedent. Here's what I would say,
11:23:50 Your Honor. When I was a young Marine NCO, my gunnery sergeant
11:23:54 had a plaque hanging in the team hut, and that plaque said: To
11:24:00 err is human and to forgive is divine , but neither are Marine
11:24:04 Corps policy.
11:24:07 You know, Mr. Collins I don't think is a bad man. I
11:24:10 don't think he intentionally did what's happened here. But he
11:24:14 erred, Ms. Rutherford erred, and Acacia erred, and there's no
11:24:18 getting around that.
11:24:20 With regards to forgiveness, Your Honor, I can see
11:24:24 the Court struggling with this issue, and I understand it. I
11:24:27 see the importance and understand the importance of aggrieved
11:24:30 parties having the ability to petition a court. I'm not some
11:24:35 East Coast defense lawyers. The last seven trials I've done

11:24:39 have been plaintiffs trials. This is the first time I've ever
11:24:41 represented Schlumberger as a defendant. But even though
11:24:43 forgiveness is divine and the Court has a strong preference
11:24:47 finding a fair, equitable remedy, it's not permitted under the
11:24:50 Fifth Circuit law. So just like was the case in the Marine
11:24:54 Corps, the err cannot be forgiven in this case.
11:24:57 And this case is not tainted, as Mr. Collins wrongly
11:25:01 suggests, by the disclosure of confidential information. It's
11:25:06 tainted by Ms. Rutherford's violation of her duty of loyalty to
11:25:10 her client. And that duty of loyalty, because of her direct
11:25:14 representation of Schlumberger, is what requires her
11:25:17 disqualification which requires that second irrebuttable
11:25:21 presumption be applied to all the lawyers at Acacia and that
11:25:24 they each and every one be disqualified. And, under the facts
11:25:28 of this case, given those contacts and communications, that
11:25:31 Mr. Collins' firm be disqualified as well. It's the violation
11:25:36 of her duty of loyalty and the Fifth Circuit's controlling law
11:25:40 that requires it.
11:25:41 Thank you, sir.
11:25:42 THE COURT: Thank you.
11:25:45 MR. CONNOR: Your Honor, if I may?
11:25:46 THE COURT: No. You don't get to respond again.
11:25:49 MR. CONNOR: We're on behalf of nonparty Acacia
11:25:52 Research Group.
11:25:53 THE COURT: I understand. But I gave each side an

11:25:55 hour, and we've used an hour and five minutes on each side. I
11:25:59 didn't give each party on one side --
11:26:01 MR. CONNOR: We're a nonparty, Your Honor.
11:26:03 THE COURT: I understand. But I've heard from who
11:26:05 I'm going to hear from today. I don't need to hear anything
11:26:08 else.
11:26:09 MR. CONNOR: Very well Your Honor.
11:26:09 THE COURT: Couple of housekeeping matters. I have,
11:26:13 against my better judgment, granted the defendant's opposed
11:26:16 motion to exceed page limit on the most recent filing. I have
11:26:21 granted the motion of Mr. Brennan to appear *pro hac*.
11:26:29 I also have pending before me the plaintiff's
11:26:36 objections to Schlumberger's initial exhibit list. I will
11:26:42 overrule those objections. My order in this case will fully
11:26:47 reflect what I have considered in this case in reaching my
11:26:52 decision. I will distinguish between things I thought were
11:26:59 admissible and inadmissible, but the plaintiff has its record
11:27:06 protected in preserving those objections which I've overruled
11:27:10 in case I consider anything, in my opinion, that the plaintiff
11:27:15 continues to think is objectionable.
11:27:17 While I have you here together, anything else we need
11:27:23 to take up in this case?
11:27:26 MR. GRANT: The only thing I would note, Your Honor,
11:27:28 with the flurry of paper flying this week was that supplemental
11:27:32 authority on the 101 motion which pertained to main case that

they relied on and cited 25 times which is now not just vacated, but has been expressly overruled.

THE COURT: All right. Anything from the plaintiff?

MR. COLLINS: Nothing, Your Honor.

THE COURT: All right. I want to thank both sides for what I considered to be very good arguments. I will tell you both, again, that your briefs and your exhibits were far too long and in further proceedings in the case, whoever may be involved if the case survives the request to dismiss, be a lot more sparing in what you present to the Court and you will get farther. You brought everything back into focus with your arguments that I thought were very good arguments, and it just reinforced my position that you didn't need to be as wordy as you were.

All district courts, and particularly those in the Western District of Texas, in general, and the Austin Division, in particular, do not have enough time to get to all of their work. And you really help the Court and you help yourselves if you fight off the temptation to file everything you can file. Less is truly best.

So, again, with the thanks of the Court, the motion to disqualify is under advisement and we will get out an opinion as quickly as we can. The Court's in recess.

(End of transcript)

UNITED STATES DISTRICT COURT)

WESTERN DISTRICT OF TEXAS)

I, Arlinda Rodriguez, Official Court Reporter, United States District Court, Western District of Texas, do certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter.

I certify that the transcript fees and format comply with those prescribed by the Court and Judicial Conference of the United States.

WITNESS MY OFFICIAL HAND this the 1st day of December 2014.

/S/ Arlinda Rodriguez
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